

***GLOBALISATION: DEMOCRATISATION,
NEO-LIBERALISM, AND DEVELOPMENT-AID
IN SOUTH AFRICA***

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DECLARATION

I, the undersigned, hereby declare that the work contained in this assignment is my own original and that it has not previously been submitted in its entirety or in part at any university for a degree.

Signature

Date

ABSTRACT

This study has set to describe and explain the causal relationship between the process of globalisation, and that of democratisation and development in South Africa. Understanding this process required an analysis of the political and economic patterns followed, and policy choices made by state elites in South Africa, and to compare these processes with other countries that are also integrating into the global political economy.

In South Africa, the dominance of the external factor on the country's socio-economic and development policy making process is exposed in this study. Analysis of the progress of South Africa's macro-economic policy (GEAR) in creating sustainable economic growth, and in linking it with the locally defined notion of '*people-based development*' (as per RDP document, 1994) over a five-year period reveals firstly, that while GEAR is portrayed as both an economic and a '*people-based development*' policy, it is an externally oriented policy whose ends are largely the promotion of transnational capitalist interest. The contradiction is that while a redress of development discrepancies (i.e. by providing social-welfare, health, education, clean water, electricity, transport and housing) calls for an increase in government expenditure, GEAR's fiscal stance prohibits such spending.

South Africa's development policy represents a much broader and a common problem in the global socio-economic superstructure, solutions for which cannot be derived by analysing the policy of only one country, but the whole transnational political-economic system.

The problems of the current global political-economic order and its development programs remains naked for all to see. Even common sense indicates that the North-South power relations are one-sided, problematic and should not be allowed to continue indefinitely as they stand. In addition, that the underdeveloped countries should continue to play an active role in global structures such as the UN, the UNOs such as UNCTAD, the WTO, and other international institutions if they are to impact on policies that govern the North-South relations.

OPSOMMING

Die doel van hierdie studie is om die verhouding tussen die proses van die ontplooiing van globalisasie, demokratisering, neo-liberalisme en sosio-ekonomiese ontwikkeling in Suid-Afrika, te beskryf en te verduidelik. Om hierdie verhouding te kan verstaan is 'n analise van die politiese en ekonomiese patrone wat gevolg word en beleidskeuses wat deur staatselites gemaak word, van hierdie nuwe demokratiese staat, nodig.

Die oorheersing van eksterne faktore oor die Suid-Afrikaanse beleidsmaking ten opsigte van sosio-ekonomiese ontwikkelings het in die studie na vore getree. 'n Analise van die vordering van die Suid-Afrikaanse makro-ekonomiese beleid (GEAR), in die skepping van behoudbare ekonomiese groei en die skakeling daarvan met die plaaslike nosie (RDP dokument, 1994) van “mens-gebaseerde” ontwikkeling oor 'n periode van vyf jaar, het geopenbaar dat GEAR, wat voorgestel is as 'n ekonomiese en sosio-ekonomiese ontwikkelingsbeleid, terselfdetyd 'n eksterne georiënteerde beleid is wat transnasionale kapitalistiese belange promotiseer. Daar bestaan kontroduksie tussen die oogmerke van GEAR. Eerstens beoog GEAR die vernouing van die ontwikkelingsgapings in Suid-Afrika (deur die voorsiening van maatskaplike dienste, gesondheidsdienste, opvoeding, skoon water, elektrisiteit, vervoer en behuising) iets wat 'n verhoging van staatsuitgawes tot gevolg sal hê, terwyl GEAR se beleid sulke verhoogde uitgawes aan bande lê.

Dit is voor die handliggend dat die Noord-Suid magsverhouding eensydig is, en problematies is vir ontwikkeling en moet dus nie toegelaat word om voortgesit te word nie. Verder moet onderontwikkelende lande voortdurend 'n aktiewe rol speel in globale strukture soos die UNCTAD, die WHO, die VN en ander internasionale institusies as hulle enigsins 'n impak op die beleid wat die Noord-Suid verhoudinge beheer, wil maak.

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ACRONYMS

ACP	African, Caribbean, and Pacific Countries
EU-SA TDCA	European Union-South Africa Trade, Development, and Co-operation Agreement
GATT	General Agreements on Tariffs and Trade
ICAO	International Civil Aviation Organisation
IFI	International Financial Institutions
ITU	International Telecommunication Union
IMO	International Maritime Organisation
IMF	International Monetary Fund
ISA	Initiative For Southern Africa
RCSA	Regional Centre for Southern Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
UNCTAD	United Nations Conference on Trade, Aid and Development
UN	United Nations (or UNO - for United Nation Organisation)
USAID	United States Agency for International Development
UPU	Universal Postal Union
WTO	World Trade Organisation

Key Terms:

- New-Democratisation
- Globalisation
- Neo-Liberalisation
- Neo-Colonialism
- Polyarchy
- Trade-Aid Development

CHAPTER 1**INTRODUCTION****1. INTRODUCTORY REMARKS**

Globalisation as a phenomenon has generally been defined and understood within Northern liberal democratic terms. In fact, the advanced economies of the Northern democracies (i.e. the US, UK, Germany, and Japan), are highly globalised. Given their high levels of socio-economic development, Northern state elites have managed to establish themselves as political and economic hegemons over the less developed countries. Certainly, since the Bretton Woods agreement in 1944, the North has continued to create international structures that dictate the world's political-economic terms (Helleiner, 1994:163; Lensink, 1996:52). These structures include the United Nations and the International Financial Institutions (IFIs) such as the International Monetary Fund (IMF) and the World Bank

www.zmag.org/CrisesCurEvts/Globalism/unctadbello.htm.11/26/2000).

There is immense pressure on underdeveloped states to ensure the compliance of their economic policies with the directives of the dominant international regime, multinational corporations, and the liberal democratic world order. As underdeveloped countries continue to seek solutions to their development problems within these structures, their autonomy in political-economic policy making diminishes as compliance with the Northern-defined terms of development becomes almost unavoidable. By imposing structural adjustment requirements as conditions to financial aid, both the IMF and the World Bank (Lensik, 1996:52; Matlosa, in Thompson, 2000:28) are suspected, if not accused, of imposing Northern political economic ideas on government officials who, in turn, shape domestic policies (Hanson & Hentz, 1999:480).

The terms set by these institutions are based on the following premises:

1. Northern democracies embrace the liberalised "free market" form of economic systems.
2. Given the advanced and competitive economic levels of these countries (i.e. the G7 countries) compared to states which espouse different forms of political ideology, it is arguable that there is a positive correlation between the Northern

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defined political-economic practices and economic advancement; a notion which further reflects, and even "justifies", the hegemonic position of the Northern and liberal perspective of democratisation (Tjønneland, in Thompson, 2000:37).

3. Taking these assumptions at face value, it may be argued that democratisation and economic liberalisation are the necessary conditions for economic growth and development (Tjønneland, in Thompson, 2000:37). In line with this assertion also stands an implication that it is in the "best interest" of the underdeveloped states to adopt the liberal political and economic policies if they are to develop.
4. In view of premise number three, together with the recognition that the North has the distributive power over developmental funds, it is (arguably) justified in prescribing the conditions of access to development funds - this being done in the name of development (Tjønneland, in Thompson, 2000:41)¹ - and in defining the "rules of the game" in international trade for developing countries.
5. As a result, the North is "justified" in acting both as a player and referee in the playing field of interstate relations. As a player, by participating in global trade, and as a referee when designing and enforcing the rules of trade, aid and development.

Although these premises may be seen to be over-presumptuous about the policies of the North in its relations with the South, the current wave of neo-liberalism (Tjønneland, in Thompson, 2000:36) that has mushroomed across the developing world during the 1980s and 1990s suggests a fair amount of relevance for these premises with regard to North-South relations. For example, outcries against the unequal power balance in political-economic interactions and trade practices between the South and the North has led to the labelling of IFIs as vehicles of neo-colonialism by those who are sympathetic to the Southern side of the North-South divide (Hanson

¹ To this effect, Tjønneland (2000:41) gives an example of major changes in donor policies. From the end of the 1970s donors began to call for economic policy reforms in macro-economic frameworks (structural adjustments) of recipient countries, especially in Sub-Saharan Africa.

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& Hentz, 1999:480). Clearly, globalisation and regionalisation pressures, along with the conditions imposed on aid and development funding, have influenced the political-economic policies of many newly democratising countries in the latter part of the 20th century (Hanson & Hentz, 1999:479; Tjønneland, in Thompson, 2000:41). To substantiate, the early 1990s have seen the newly-democratising countries of the South, including Chile, South Africa, and Zambia, engaging in major political and economic policy reforms (Hanson & Hentz, 1999:479; www.chilexplorer.cl.8/21/2000). These countries have followed the neo-liberal trend toward economic reforms² in this period (Hanson & Hentz, 1999:479; <http://news.excite.com/news/r/000803/13/3economy-chilegovernment>).

These reforms have unfolded in a common pattern in both Chile³ and South Africa. For example, although reforms were initiated by the non-democratic and authoritarian Pinochet regime in Chile prior to 1990, the post-authoritarian, new democratic government formalised and accelerated the reforms. The point here is that both new democracies, whether as initiators (South Africa) or adopters (Chile) of neo-liberal economic policies, are following a similar neo-liberal economic trend. This trend, which parallels the aims of the democratisation drive of the North (USAID, <http://www.usaid.gov/about12/9/2000>), appears to be part of the hegemonic wave that integrates developing economies into the transnational economy. Along with this neo-liberal trend is a redefinition of the concept of development, both by the North and the IFIs that include the IMF, the World Bank and the regional banks as well as other institutions in the developed countries (Korten, 1992:69). Controversy continues as to how these institutions are using their power to shape North-South relations. To this

² South Africa's neo-liberal reforms, primarily inflation targeting, balanced budgets, currency convertibility, export oriented production, and privatisation tendencies became policy (GEAR) in 1996 (<http://www.polity.org.za/govdocs/policy/growth.html#ch1.11/26/2000>). In the same light, Zambia had already committed itself to neo-liberalism (*IFI-style liberalisation*) in 1991, resulting in approximately \$1 billion of annual aid inflows during the period 1991-1996 (Hanson and Hentz, 1999:488).

³ In Chile, Pinochet's authoritarian regime was replaced by a democratically elected government led by President Aylwin Azascòr of the Christian Democratic Party (CPD) on 11 March 1990 (<http://www.abcnews.go.com/reference/countries/CI.html.8/5/2000>). In South Africa the apartheid regime was replaced by a democratically elected government led by President Nelson Mandela of the ANC in April 1994.

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effect, Korten (1992:69) argues that *"If the increasing power of these institutions is, in fact, one of the factors that undermine democratic governance, and is therefore removing from people even the possibility of controlling their own futures, then there is good reason to be sceptical of these institutions, their policies and functions ..."*. Having made his observation, Korten (1992:69) concludes that the increasing power of the above-mentioned institutions is one of the factors that causes democratic discrepancies in developing countries. As a result, there is good reason for scepticism. He then substantiates his argument by clarifying the role or mandate of the multilateral banks in globalisation and liberalisation. Multilateral banks, according to Korten, are the leading players in a global campaign to remove the final barriers imposed by the nation-state to a complete free flow of trade and capital across international borders. The main reason why their mandate and their activities should be analysed critically is that they appear to be promoting both the political and economic dominance of transnational capital over human affairs, and the collective destiny of the local polity. The driving vision behind this effort, according to Korten (1992:70), comes from the US government, led by an administration (President Bush administration) that had proudly demonstrated its bias towards the interests of big business. The beneficiaries of the globalisation and liberalisation wave, according to this analysis, are the multinational corporations. It is this state of affairs that motivated this study be undertaken to improve the understanding of the interaction of these forces in the process of the democratisation of South Africa.

2. RESEARCH PROBLEM

Along with the current wave of globalisation exists the liberalist form of international political economy. The driving force behind this wave is transnational capital; international financial institutions, the UN and its related structures. While the name of the game is liberalisation and competitiveness, the players remain divided into developed and underdeveloped states. While the notion of *"globalisation"* seeks to advocate the principle of free trade and the liberalisation of economic policies, the problem remains clear - that it is, in effect, a strictly regulated, highly competitive game between unequal players. The policies currently embraced by most development-assistance agencies and governments, according to Korten (1992:53), are working in an

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opposite direction to development. They encourage wasteful consumption and unsustainable use of environmental resources, and are widening the gap between the rich and poor. They eliminate the ability of governments to regulate national economies, and transfer the ever-growing political and economic power to unaccountable transnational corporations, who acknowledge no attachment to place or people (Bello, 2000, <http://www.zmag.org/crisicurevvtts/globalism/unctadbello.htm>; Korten, 1992:53). This state of affairs has clear implications for both the North and the South. These implications are highlighted in the following pages.

2.1 The Problem

The area of interest, which has also become a puzzle for disentanglement in this study, is the fact that the democratisation drive by the North manifests itself in neo-liberal economic tendencies, resulting in the newly democratising states being deprived of sovereignty to determine their own paths to development policy-making. The major problem here is that while the majority of the peoples of the newly democratising states remain underdeveloped, the forces of globalisation, behind which the democratisation wave unfolds, are prioritising the transnational capital interests. There is a lesser emphasis on people centered-development. As a result, the poor are becoming poorer while the richer are becoming richer. With respect to democratisation and economic reforms in South Africa, this problem is visible as GEAR accelerates neo-liberalism with very little evidence of progress in people centred-development.

2.2 Problem Elaboration

Although this study analyses this problem as it manifests in South Africa, it should be noted that South Africa does not exist in a vacuum and cannot therefore be looked at in isolation. In this respect, the second part of the problem relates to the ongoing hegemonic order and its norms as it shapes democratisation and development in the South and, in particular, South Africa. In short, the forces of globalisation play a major (but not sole) causal role in the neo-liberal trend of the newly democratising countries. By virtue of being developed, the North is privileged with the structural power to create, define and enforce the rules of the global political economy in a way that enhances its own interests against those of its economic competitors, including the

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South (Robinson, 1996:618). The rules of the game as they stand, (ie liberal economic policies and free trade) may lead to equity if the power balance between all players, in terms of development, is even. This condition, however, remains purely utopian at this stage (Bello, 2000, www.zmag.org/crisicurevts/globalism/unctadbello.htm).

Sound development strategies that seek to address underdevelopment in the South, if adopted by the UN, the North, and the IFIs, could address the dilemma of inequity in the North-South divide. However, the strategy of the IMF in 'redressing economic crisis' has been to impose neo-liberal reforms on the South (Lensink, 1996:57). Going along with this trend is the World Bank's drive to influence aid agencies to limit aid only to democracy promoting institutions (Taylor, in Thompson 2000:67). In addition, both bilateral and multilateral development and trade arrangements between the North and the South seem to point towards a redefinition of the conventional version of aid into a new "*trade not aid*" phenomenon. The European Union-South Africa Trade, Development, and Co-operation Agreement (EU-SA TDCA), is but one example (Bertelsmann-Scott, Mills & Sidiropoulos, 2000:41). While this approach may address part of the problem, it creates a new set of difficulties for the South in more ways than one. Firstly, while each state in the developing world may have a unique set of development issues, the remedy applied by the North, together with the IFIs, is limited to liberalisation and other neo-liberal economic options, imposed as universally applicable norms across all conditions. This not only privileges the North to impose its ideologies on the South, but also limits the autonomy of the South in determining its own developmental paths.

While this global phenomenon has shaped the pattern of political reforms in many developing countries, the phenomenon of development per se has been distorted in many newly democratising countries, including South Africa. Neo-liberal economic policies in these countries have constrained governments' spending (on development issues) in favour of balanced budgets, privatisation and inflation-targeting tendencies aimed at integration into the global economy. In view of this trend, it is suggested that democratisation in South Africa, in its neo-liberal pattern, has been caused, among other things, largely by the globalisation phenomenon as promoted by the North's neo-liberal ideals and its democratisation drive.

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2.3 Democratisation and the Current Global Development System

Parallel with the current neo-liberalisation discourse is the notion of development aid and its associated preconditions to recipient countries. The notion of *development through aid* is being replaced by the notion of *trade related aid*. Aid in the new environment, according to Matlosa (2000:29), is channelled by the IMF and the World Bank in a way that bolsters market forces. After making observations on Lesotho's aid trend changes, Matlosa came to the conclusion that "*...aid is predominantly driven by neo-liberal orthodoxy whose pillars are liberalisation, privatisation and adjustment. For the first time, aid is now linked openly to political liberalisation through the apotheosis of virtues of liberal democracy and its symbiosis with the free enterprise system*" (Matlosa, 2000:29). Moreover, the focus on the multilateral scene in the post Cold War era has shifted to issues of globalisation and liberalisation as the dominant theme (Gamani, 1999, <http://www.southcentre.org/southletter/sl35/sl3508.htm.11/25/2000>).

While the IMF and the World Bank may have noble intentions behind this new drive, the decline of conventional aid in favour of trade poses questions as to what are the actual intentions behind the development policies of the North, and on who are the actual beneficiaries of free trade. According to Walden Bello (2000), there is a problem with the current global development system. History reveals that "*... [A]s the 1980s unfolded, the North's drive to discipline the South escalated. Taking advantage of the Third World debt crisis, the IMF and the World Bank subjected over 70 countries to structural adjustment programs, the main elements of which were radical deregulation, liberalisation, and privatisation. This was accompanied by a major effort to emasculate the United Nations as a vehicle for the Southern agenda. Wielding the power of the purse, the United States, whose contribution funds some 20-25 per cent of the UN budget, moved to silence NIEO rhetoric in all the key UN institutions dealing with the North-South divide: the Economic and Social Council (ECOSOC), the United Nations Development Program, and the General Assembly. US pressure resulted as well in the effective dismantling of the UN Center on Transnational Corporations, whose high quality work in tracking the activities of the TNCs in the South, had earned the ire of the TNCs*" (Bello, 2000, www.zmag.org/CrisesCurEvts/Globalism/unctad

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[bello.htm.11/26/2000](#)). It is upon the observation of these tendencies of the North that the concern of those who label the neo-liberal wave as 'neo-colonialism' is based. It is the aim of this study to discover whether there is validity in these sentiments regarding South Africa's democratisation, liberalisation and development trends.

3. RESEARCH QUESTION

The aim of this study is to describe and explain how the current wave of globalisation has influenced democratisation in South Africa. The study aims at finding answers to the following questions:

- (1) Whether economic and development policies of South Africa are in fact driven by the needs of its polity or by the dictates of the transnational capitalist order;
- (2) To what extent, if any, is globalisation and the current hegemonic order causing the newly democratising state of South Africa to adopt neo-liberal economic policies. This question will be answered by analysing the balance of power between external (globalisation) and internal forces in shaping South Africa's GEAR policy;
- (3) Whether the neo-liberal policies of South Africa do, in fact, stand to benefit South Africa's own socio-economic development more than they benefit international regimes and their driving forces;
- (4) Where they do not, whether the trade-not-aid phenomenon as defined by the North does bridge this development gap between the rich and the poor, and
- (5) Whether neo-liberal tendencies have, in fact, led to increased employment and economic growth, as well as enhancing the general socio-economic status of the majority of the population in South Africa, or whether such policies (GEAR Policy in the South African case) have contributed to further immiseration among the underdeveloped peoples?

Given the nature of these questions and of the study, it is clear that *globalisation, democratisation, people centered development, neo-colonialism, and neo-liberalism* will be the key concepts in this study.

CHAPTER 1**INTRODUCTION****4. AIM OF THE STUDY**

The aim of this study is to describe and explain the extent to which neo-liberalism is caused, if it is caused at all, by the current wave of globalisation in the newly democratising states of South Africa. While a theoretical background suggests a positive causal relationship between these phenomena, analysis would aim at establishing whether, in a newly democratising state such as South Africa, a neo-liberal economic policy (GEAR), does in turn prioritise people-centred development or whether it seeks to develop the local conditions for the triumph of the transnational capitalist interest. With respect to the latter dichotomy, a theoretical presupposition here is that there is a contradiction between people-centred development and the development of the transnational interests.

In short, this study seeks to analyse the political and economic patterns followed, and the driving forces behind, the policy choices made by state elites in newly democratising states, chiefly South Africa, in integrating into the global political economy in the latter part of the 20th century. In addition, it seeks to understand the extent to which these policies do or do not contribute to people-centred development in these countries, and whether a discrepancy exists between this and the notion of development aid as defined by the North. While comparative reference to countries such as Zambia, Namibia and Lesotho will be crucial, the timeframe and magnitude of this study limits it to only one country. In view of this limitation, South Africa has been selected as the main unit of analysis. This choice was based on South Africa's economic significance in SACU and the SADC region, the fact that it is among the most recent countries to democratise, and the fact that it has had the most relevant and informative engagements with external structures, such as the EU, in the recent past.

5. RATIONALE

This study is motivated by both the current wave of neo-liberal economic policies that is flooding newly democratising states, and the redefinition of the aid concept into trade-aid by the IMF and the World Bank. The negative connotations that seek to explain these tendencies as 'neo-colonialism', which are attached to the liberalist wave (Hanson & Hentz, 1999:480), also need to be explored. The significance of this

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analysis lies in the very negative implications of 'neo-colonialism'. Neo-colonialism implies the existence of a colonising force and (a) subject(s) of colonialism. In other words, the subject of colonisation is in submission to the directives of the colonising force, when it should instead be responding to the needs of its own polity.

In terms of development, argument can be made for neo-colonialism where a country complies with an externally defined development policy that fails to address the actual development needs of its polity (Korten, 1992:69-70). In addition, evidence of neo-colonialism would be clear where a subject state is following a direction that it would not follow in the absence of pressure from such an external force. The final, and perhaps the most disturbing, of all characteristics of neo-colonialism would be a forced submission of the state to external directives that seek to privilege neo-colonial powers at the expense of the subject state. In other words, economic and development policies in an underdeveloped country would not support growth and development, but seek to privilege the external force dictating such policies. The existence of this state of affairs would be dangerous in so far as the main development needs of the domestic polity would be neglected.

In short, doing this study is important in two ways: Firstly, to expand the understanding of the interaction between globalisation forces and democratisation in South Africa. Secondly, to understand whether the claims for neo-liberalism can be substantiated and, if so, whether they fit the label of "neo-colonialism". Understanding this trend will, it is hoped, clarify the potential for the consolidation of emerging democracies like South Africa, and also facilitate an informed critique of the impact of globalisation on these emerging democracies.

Finally, the policies of the UN and IFIs towards the developing world will have to be viewed from an informed position if appropriate suggestions for improvement in the existing North-South relations are to be put forward.

CHAPTER 1**INTRODUCTION****6. METHODOLOGY**

This is both a descriptive and an explanatory study (see Babbie, 1994; Nachmias, *et al.*, 1987). The study is also inductive, in that it does not seek to prove any theory or hypothesis, but seeks to describe and explain the interaction between internal and globalisation forces on South Africa's democratisation process, economic growth and development. This includes a revision of the notion of aid vs the trade-not-aid dichotomy.

6.1 Methodological Process

This process is broken down into the following subheadings:

- *Unit(s) of Analysis*

These are mainly states, systems, and processes. While democratisation policies and trends of other newly democratising states are being analysed, given the limitations of this study, such analysis takes place solely for comparative and reference purposes. South Africa and the relationship between its process of democratisation as opposed to the forces of globalisation are the main units of analysis in this study.

- *Units of Observation*

Units of observation include the economic policy documents of the South African government before and after liberalisation; UN, GATT and WTO documents on development, trade and tariffs; UNCTAD documents; EU-SA (TDCA) documents; books and journals on globalisation, liberalisation, and relations between the developed and the underdeveloped countries, and related data regarding the newly democratising states.

- *Data Sources*

Secondary data from various sources, including the internet, the media, academic and other functional texts, will be used. Media material includes newspapers, editorials and magazines produced by both local and international governmental and non-governmental organisations. Most of the academic data is obtained from, among other sources, archival records of the Universities of Stellenbosch and Cape Town. Other data is obtained from NGOs, and the internet.

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- *Data Processing and Analysis*

Given the qualitative nature of the data, whilst this study is both descriptive and explanatory, the data is being used directly from the sources in descriptive chapters. The trends that are evident in the study are further explained and substantiated by the relevant data. In other words, the data processing section includes observations, analysis, comparisons, description and explanation of the trends from secondary data. The final section consists of the summary, conclusion, recommendations, and bibliography.

6.2 Definition of Terms

The key terms used in this study are defined as follows:

6.2.1 Democratisation

Democratisation as a process is a derivative of the concept of democracy. Democracy, as a concept, tends to carry various connotations, ranging from more to less participatory, and liberal, political systems (Vanhanen, 1992:22). In fact, some commentators, including Herodotus (1984:230-40) identify democracy with equality, the principle of majority rule, and political responsibility, with interpretations of equality and responsibility differing in form and extent in each given case. Democratisation as a process, according to Breytenbach (1997:16), “*begins with a transition, often defined as liberalisation, which includes the emergence of the new opposition, and the dismantling of the previous undemocratic order*”. Included here is the liberalisation of social (i.e. civic) and economic institutions, the aspect which is also regarded by Breytenbach (1997:16) as the first building block in the process of democratisation. To this end, Dahl (1971:33-34) portrays ‘democratisation’ as a process of bringing about a condition of democracy. The type of democracy he refers to is ‘polyarchy’. The democratisation process within these confines then, according to Dahl (1971:34), refers to a shift from authoritarianism or oligarchy, marked by liberalisation, followed by inclusiveness or an increased representativity of the opposition in a transforming oligarchy. This leads to further liberalisation or an increment of opportunities for public contestations which, in turn, abruptly transforms the system into a polyarchy, evidenced by a sudden grant of universal suffrage and

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rights of public contestation. It is within these confines that democratisation is conceptually and operationally defined in this study.

6.2.2 Globalisation

This term derives its meaning from the concept of 'the global' (Scholte, 2000:42), used by various commentators in different political, economic, social and intellectual settings to refer to various world-wide phenomena; connotations in each setting range between the notions of internationalisation, liberalisation, universalisation, and even Northernisation (Scholte, 2000:44-45). A shortfall in these connotations rests in their underlying presumption that the society, which is internationalising, liberalising, universalising or even Northernising, is solely and completely territorial. The implication here is that relations between people are still limited in terms of territorial constructions of social space. Territorialism, by implication, suggests that macro social space is wholly organised in terms of geographical units such as towns, provinces, regions or even countries. The problem with this model of reasoning lies in its very neglect of a proliferation of social connections that are substantially detached from a territorial logic (Scholte, 2000:47). The fact that telephone calls, the internet, electronic finance, and other phenomena that cannot be limited to fixed territorial locations defy this territorial aspect, disqualifies the unconditional acceptance of these interpretations in this study. In addition, the multiplicity of meanings attached to globalisation opens the concept to rhetorical abuse that often reduces it to a mere 'buzzword' or a 'catchphrase' that is not free from ambiguity.

To go beyond the territorialist logic, this study defines globalisation within the interactive and intersupportive meanings of the following adjectives: 'globality' (condition of being global, and describing circumstances where territorial space is substantially transcended), the 'supraterritoriality', the 'transworld connections' or the 'transborder relations' (relations that transcend territorial frontiers) (Scholte, 2000:49). In other words, globalisation cannot be defined in one, but in the interconnectedness of the meanings of these terms.

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As will be discussed in the following chapter, such a definition clarifies the analysis of the 'transworld' and 'transnational' effects of globalisation on intrastate systems and processes, including those of South Africa.

6.2.3 Neo-liberalism

This concept is used in a political-economic context in this study, referring to a new shift by the newly democratising states away from the nationalist and protectionist economic policies associated with excessive control of the markets by the government, towards a competitive free market economy. Neo-liberalism, according to Macpherson (1966:6), refers to a socio-economic system in which "individuals are free to make the best bargain they could, to offer their services, their products, their savings or their labour, on the market and get the market price which was itself determined by all their independent decisions". A major characteristic of this trend is the privatisation of industries, a process that includes a transfer of the production system and ownership of many parastatals into the private sector (Mengisteab, 1996:97). Emphasis in these economic practices is placed on cost minimisation by the private sector, cuts in social welfare services by the state, and an increased openness of the economy to international trade and investments (Taylor, in Thompson, 2000:57). Political liberalisation, on the other hand, often refers to the shift undertaken by the newly democratising states, away from undemocratic or non-liberal political systems, to the liberalist form of democracy (Mengisteab, 1996:96).

As a process, political liberalisation should be seen as political shift towards a socio-political arrangement that empowers the general population to control the public decision-making process on an ongoing basis. It is within this framework that this term is used in this study.

6.2.4 Neo-colonialism

In this study, this concept is used within the framework of relations between the UN, IFIs and the North on one side, and the South on the other. In fact, this study uses this concept in a similar contextual meaning to what Taylor (in Thompson 2000:63) calls "*new imperialism*". While colonialism, according to the ENCARTA World English Dictionary, refers to a policy in which a country rules other nations and develops trade

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for its own benefit, imperialism is defined in three interrelated ways: First, it refers to "the policy of extending the rule or influence of a country over other countries or colonies"; secondly, as "the political, military, or economic domination of one country over another"; and finally, as "the extension of power or authority over others in the interests of domination" (<http://lw10fd.law10.hotmail.msn.com/cgi-bin/dowebster.12/1/2000>).

Given the unequal power balance between the North and the South, as well as the role of the North in imposing the associated structures on the political economies of the South, it serves the purposes of this study to use this concept within this contextual meaning.

6.2.5 Polyarchy

Polyarchy refers to a (democratic) system in which a small group (an elite) actually rules, and mass participation in decision making is confined to leadership choice in elections that are carefully managed by competing elites. While polyarchy seem to allow greater opportunities for expressing, organising, and representing political preferences, middle class and professional occupations are numerically over-represented in contemporary legislative bodies in comparison with lower class categories (Dahl, 1971:22). To this effect, Dahl (1971:26) found in his studies that despite a rosy 'representative' nature of the polyarchal policy-making system, the consequences for government policies of lower thresholds for participation and public contestations are, unfortunately, obscure. Polyarchy then, according to Robinson (1996:624), is a 'democratic' system whose legitimacy to establish the rule by a small elite group derives from mass participation through a universal suffrage.

Polyarchy, according to Dahl (1971:34) develops in stages, beginning with liberalisation, followed by inclusiveness where a competitive oligarchy is transformed into a near-polyarchy by the increasing inclusiveness of the regime. This semi-inclusiveness or near-polyarchy is then followed by more liberalisation until the hegemony is abruptly transformed into a polyarchy by a sudden granting of universal suffrage and rights of public contestation.

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It is within this definition that the democratisation process in South Africa will be evaluated in chapter three.

6.3 Operationalisation

This study is both descriptive and explanatory. It has been motivated by the assumption that globalisation forces play a major role in shaping democratisation processes in developing states. To this end, evidence in the introductory section indicates that globalisation, as defined, imposes the liberalist form of democratisation on newly democratising states. Along with this notion is a debate on the implications of privatisation, aid and development relations between the North and the South. On the one side of the debate stand the North and its associates, arguing that political-economic liberalisation (including privatisation) enhances growth and development and should therefore be imposed on the underdeveloped states if they are to develop. In this regard, the North and its associated structures go as far as redefining the concept of aid, replacing it with the *trade related aid* notion.

On the other side of the debate stand the South and its supporters, arguing that the liberalist global wave is not conducive to people-based development. Instead, continues the argument, it is neo-colonialist in so far as it deprives governments of the power to set their own developmental paths. The new concept of development, according to this argument, prioritises the interests of the multinational corporations at the expense of people centered-development in the South.

Intrigued by this debate, this study analyses the democratisation process of South Africa within this context of globalisation. In order to make an informed conclusion in this debate, the study seeks to understand the extent to which globalisation forces are shaping South Africa's democratisation process. To do this, firstly, understanding is sought on whether post-apartheid South Africa's liberalisation policies are internally or externally driven. Secondly, to evaluate whether South Africa's reforms, either internally or externally driven, are in fact contributing to economic growth and development for the majority of its population.

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Observation and analysis will take the following form:

- (1) South Africa's initial development objectives as set out in its RDP document will be analysed.
- (2) The balance between local and external influences on South Africa's economic policies will be described, and the policy will be evaluated in terms of the RDP objectives. This section clarifies whether the notion of development is internally or externally defined.
- (3) The actual economic policy is analysed on the basis of whether it prioritises the local development needs or privileges the liberalist economic concerns of the global order at the expense of local development.
- (4) Along with the current notion of trade related aid, the macro economic (and perhaps development) policy of South Africa will be evaluated on the basis of its priorities versus its economic growth and development progress since implementation. This analysis will compare economic growth and development statistics before the policy was implemented (1994-1996) and after implementation (1996-2000). The RDP estimates will be used as a measuring scale for success or failure.

While people centred-development is operationalised in terms of the RDP stipulations, economic growth is measured by comparing employment growth rate per annum, GDP, exchange rate fluctuations, balance of payments, and inflation rate over the years. Growth that is on par with or above government estimates indicates healthy growth, while growth below estimates indicates poor growth. From this analysis, it is going to be possible to conclude whether South Africa's reforms have contributed to local development in the past five years, or whether South Africa's reforms are perhaps privileging the dominant global order and may therefore be defined as neo-colonialist. Conclusion and recommendations take the form of a cost-benefit analysis of South Africa's policy choices in terms of its pre-determined objectives, taking full consideration of the prevailing global challenges.

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Chapter one introduces the study, providing the statement of the problem and the aim of the study, notes on the methodology and the summary of chapters.

Chapter 2

This chapter discusses South Africa's democratisation and neo-liberalisation processes. A substantial part of this chapter analyses these two processes within the perspective of the needs for reconstruction and development in South Africa. In this respect, the chapter compares the motivations for, and origins of the RDP with the evolution of the ANC's liberal macro-economic policy and argues that the forces of globalisation had played a positive role in co-opting the policy elite into neo-liberal thinking.

Chapter 3

This chapter analyses the progress of GEAR in addressing the reconstruction and development objectives of the RDP. A theoretical framework that analyses the actual macro-economic policy of South Africa is used in this chapter. The idea is to ascertain whether GEAR is prioritising RDP objectives or the transnational interests, given the realities of globalisation. It is also acknowledged in this chapter that South Africa does not exist in a vacuum, free from 'global' influences. As a result, some reference is made to factors such as the North-South relationship and aid debates that predominate in the current international relations discourse.

Chapter 4

A summary, conclusion and recommendations are made in this chapter.

8. CONCLUDING REMARKS

The aim of this chapter has been to introduce the study. In this process, the research problem, the aim, research questions, rationale, and methodology have been described, including the summary of chapters. The following chapter proceeds by describing South Africa's democratisation and liberalisation processes, together with the origins of the RDP, and the genesis of a macro-economic policy, GEAR.

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The aim of this chapter, as indicated in the previous introductory sections, is to describe, explain, and analyse South Africa's democratisation and liberalisation processes. In view of the fact that South Africa does not exist in a vacuum, but is part of a larger global collective, these processes will be analysed within a broader global perspective. Acknowledging the reality of this fact calls for a return to the operational definition of 'globalisation' as used in this study. In this respect, the previous chapter defines 'globalisation' in terms of the adjectives such as 'globality' (or a condition of being global, and also describing circumstances where territorial space is substantially transcended), the 'transworld connections' or the 'transborder' relations (or the relations that transcend territorial frontiers) (Scholter, 2000:49).

It is in this understanding that the 'transworld connectedness' of intrastate processes is presumed in this study. Given this presumption, it is suggested that intrastate systems and processes such as democratisation and liberalisation are not free from global influences of a mutual causal nature. As a result, understanding 'supraterritorial' phenomena such as the North-South relations and the democratisation drive of the North, the current hegemonic order, the developed and underdeveloped countries dichotomy in so far as they explain South Africa's democratisation and neo-liberalisation processes, is being analysed in this chapter.

2. DEMOCRATISATION

An attempt to explain South Africa's democratisation process solely on the basis of domestic phenomena such as apartheid, culture, etcetera, denies the fact that South Africa is part of a larger global environment that, according to Scholte (2000:49), is part of a macro social space that cannot be limited to fixed territorial locations. In fact, South Africa's colonial heritage, its trade in mineral resources in the transnational economy over centuries (Marais, 1998:120), its political systems and the pressures it received from the international community during apartheid, to mention only a few examples of global connectedness, would render such isolationist explanations inadequate. Equally absurd would be claims of the immunity of South Africa's democratisation and liberalisation processes to the causal influences of the current

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hegemonic order, the transnational capitalist factor, the democratisation drive of the North, among other factors; that shape domestic forces of democratisation.

2.1 ‘Authoritarianism’ to ‘Inclusive Authoritarianism’ in SA: 1983-1988

Democratisation is conceptually portrayed as a process that unfolds in a particular pattern or path. This path, according to Dahl (1971:34), begins with a realisation of the necessity of reforms in an oligarchy or any other form of authoritarianism (the apartheid system, in a South African case). Oligarchy according to Dahl (1997), refers to a one party, authoritarian state. While apartheid was an authoritarian system in this respect, it was not necessarily a one party state, but a state with a limited number of parties and a limited suffrage. As a result, it could not be described as having been an oligarchy at any stage, including that of its transformation. Its relevance to Dahl’s pattern of reforms derives from its authoritarian and repressive features.

The pattern of reforms, as described by Dahl (1997), moves from (1) liberalisation of social structures, which precedes inclusiveness or a condition of becoming a competitive oligarchy (or any inclusive authoritarian system in reform, though not an oligarchy, ie apartheid in South Africa), to (2) an extended liberalisation (implying a system of limited suffrage, i.e. a vote limited to males or to a certain class or race in the apartheid context), and finally, (3) this ‘near-polyarchy’ transforming abruptly into a polyarchy by a sudden grant of universal suffrage and rights of public contestation.

To this effect, the only difference between the actual trends that unfolded in South Africa’s reforms in 1983-1994 and Dahl’s pattern (of ‘polyarchisation’) is that while Dahl’s reforms refer only to the democratisation of an ‘oligarchy’, the apartheid system was not an oligarchy, but more of an authoritarian ‘near-polyarchy’ that was transforming into a ‘polyarchy’. Although apartheid was not an ‘oligarchy’ in the strictest sense of being a one party regime, its reforms have followed Dahl’s pattern that unfolds in oligarchy transformations as outlined in the preceding paragraph. For instance, the apartheid regime (or political hegemon in Dahl’s language) began its reforms by unveiling a new constitution in 1983 that propagated both the ‘semi-liberalisation’ of social structures and the co-option of the coloureds and Indians into a power-sharing scheme in the form of a Tri-cameral Parliament (Marais, 1998:46-48;

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Sisk, 1995:68). The 'semi-liberalisation' process in this case refers to the birth of co-optive structures of participation for black South Africans at regional and local levels (Sisk, 1995:68). The creation of a Tri-cameral Parliament, which led to the emergence of a counter resistance structure in August 1983, the United Democratic Front or UDF (Sisk, 1995:70) can be described in Dahl's language, as the transformation of a political hegemon into a competitive or inclusive-oligarchy in phase 2, or rather, a competitive authoritarian regime in the case of apartheid, as this system was not a true oligarchy. Dahl's second phase of democratisation, i.e. further liberalisation after limited inclusiveness, is noticeable in the following sequence of reforms in the apartheid system that had become inclusive-authoritarian system since 1983:

- The scrapping of the Mixed Marriages and Immorality Acts, and the legalising of sexual and marriage relations across the colour bar in 1985;
- The acknowledgement in 1985, of the rights of urban blacks to participate in decision making through Black Local Authorities, multiracial Regional Services Councils, provincial executive bodies, and a joint executive authority for KwaZulu and Natal (not without fierce disapproval of these co-optive structures by resistance movements);
- Changes in the Improper Political Interference Act, allowing for the formation of multiracial political parties in 1986 (attempts at inclusiveness in Dahl's language);
- Restoration of South African citizenship for those living and working outside the TBVC states in 1986;
- The scrapping of influx control and the introduction of a uniform identity document in 1986;
- Liberalising access to previously reserved universities in 1986;
- Changes in the Group Areas Act that allowed for opening of Central Business Districts to all traders in 1987, and an acknowledgement of the need for a further release of the imposition of this Act in residential areas in 1988; to mention just a few examples of reforms (Marais, 1998:47; Sisk, 1985:70).

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The trend of reforms in the apartheid system during the period 1983-1988 suggests that South Africa, in this second phase of democratisation (or 'polyarchisation' in Dahl's terms) was on its way to becoming a 'polyarchy'. The following section, section 2.2, discusses the third phase of democratisation, i.e. the extension of the 'near-polyarchy' into 'polyarchy' in South Africa between 1988 and 1994.

2.2 From 'Inclusive Authoritarianism' to a 'Polyarchy' in S A : 1988-1994

In as much as the above-mentioned pattern of reforms suggests that South Africa's democratisation process was equivalent to the first two phases of Dahl's paths to 'polyarchy', this section analyses the latter period within the context of Dahl's final phase. It should be noted at this stage that a discussion of the causal factors of these trends is reserved for later sections of this chapter.

While Huntington (1991:25) would describe South Africa's democratisation trends as typical of what he terms 'the *third wave*¹ of democratisation', SA's political transition appears to be between phases 2 and 3 of Dahl's paths. In other words, there is an extended liberalisation and inclusiveness of various political competitors creating what Dahl (1971:34) calls a 'competitive oligarchy' (a liberalising authoritarian system in the case of apartheid, as this was not an oligarchy) between 1989 and 1990, followed by an abrupt transformation of this phase during 1991-1993, and a sudden grant of a universal suffrage and rights of public contestations in 1994.

For example, following previous secret contactons with the banned leaders of resistance movements such as the ANC, and in response to Nelson Mandela's letter to President PW Botha in March 1989, and a meeting between the two leaders on 5 July 1989 prepared the way for further interactions that led to democracy at a later stage in South Africa (Sisk, 1995:78-79). De Klerk's meeting with President Kaunda in Zambia in August 1989, together with other meetings between the ANC leadership and the

¹ Movement towards democratisation in this period, argues Huntington (1991:25), was global and unfolded in a phase or wave distinct from incomplete democratisation processes of the '1st' (pre-WW-1) and 2nd (post-WW-II) waves' as most authoritarian states, from Africa to Europe and Asia, including apparatuses of authoritarianism within these states, were pursuing democratic institutions of government in the last part of the 21st Century.

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white South African liberals in Lusaka in the same year, had marked the birth of a democratic transition in South Africa (Sisk, 1995:78-79). Having taken over as state president from PW Botha in 1989, President de Klerk's announcement on 2 February 1990 of the Nationalist Party Government's decision to dismantle the apartheid system and its discriminatory policies, to unban opposition parties and to release political prisoners such as Nelson Mandela without conditions (Sisk, 1995:83), can be regarded as an acceleration of a drive to political 'inclusiveness' and 'liberalisation' and a transition from the second to the third phase of democratisation as outlined by Dahl (1971:34).

The final phase of democratisation in South Africa can be traced back to the meetings between the de Klerk regime and the ANC led delegation that discussed 'talks about talks' in the Groote Schuur and the Pretoria Minutes in 1990, and the Convention for a Democratic South Africa (CODESA) that discussed South Africa's political future at the end of 1991, leading to a *Democratisation Pact*² between various political parties in November 1993 (Sisk, 1995:199-202).

The *Democratisation Pact* marked the beginning of the final liberalisation phase – the change from what had by now been reformed into a competitive or an inclusive authoritarian system, into the final transition to a polyarchy, which was completed and substantiated by the granting of a universal suffrage and rights of public contestation in 1994.

Polyarchy, according to Robinson (1996:36), is often caused by the forces of the current hegemonic order, whose ends are the promotion and development of the transnational capitalist interests. Given the development gap between the developed (the North) and the underdeveloped countries (usually the South), together with the dependence of the underdeveloped countries on developed countries for support, it is almost impossible for the South to avoid the neo-liberalist dictates. The North, chief of

² The *Democratisation Pact* refers to a commitment to democracy expressed through an agreement between various political parties and the Nationalist Party Government, on the means to arriving at, and the creation of, an inclusive transitional political system, pending a universal suffrage system (Sisk, 1995:223-4).

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whom being the U.S., and the transnational elites, according to Robinson (1996:653), are using this edge to define, impose and enforce the Northern liberal political-economic ideology over the South. As such, it is argued in the following section that the formulation of South Africa's macro-economic policy could not have been immune from these causal factors.

2.3 South Africa's 'Polyarchisation' in a Global Context

While understanding South Africa's democratisation processes, and the fact that they unfolded in the phases of a 'polyarchal typology', the significance of this lies in the connotations of 'polyarchy'. 'Polyarchy' in neo-Gramscian language implies a system of rule by the elite, where the universal suffrage and the rights to public contestations are a mere legitimisation of elite empowerment (Robinson, 1996:624). The notion of elite empowerment raises questions about what happens to the development of the socio-economic status of the majority of the underdeveloped majority in this elite legitimisation and empowerment process. The phrase "elite empowerment" suggests a distinction between the 'elite' which is being empowered, and the non-elite - that is, usually the majority of the underdeveloped populus.

Beyond South Africa, democratisation ('polyarchisation' as defined) and neo-liberalism have been the defining features of reforms in the developing world in the latter part of the 20th century. In fact, "[t]oday, every nation must be, or be seen to be, democratic ..." (Graf, 1996:38). Democracy and neo-liberalism, according to Graf (1996:40) are imposed on developing states largely by external forces through development conditionalities and structural adjustment requirements. Although internal forces also play a role, democratisation in its neo-liberal form, according to this argument, is largely a neo-colonialist construct. Democratisation, according to the current global hegemonic order, adds Graf (1996:40), is depicted as a necessary correlate of, or a precondition for, development. Due to the fact that South Africa has had policies of separate development that created an unequal distribution of wealth among different racial groups during the apartheid years, and that the victims of this skewed distribution were the majority or the non-elite, it is clear that South Africa had a greater need for development support from the developed world after democratisation.

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The end of the Cold War has seen the demise of rival ideologies to liberal democracy, and a closing of alternative development paths to the governments of the South (Graf, 1996:40). Bearing in mind, adds Graf (1996:39), that "*... radical-democratic or anti-imperialist states in the South are now much less likely than even half a decade ago to receive aid, investments, military and technical support, and other desired inputs from the North ...*", the South is compelled to comply with the current global hegemonic order that promotes the transnational capitalist system. The reason is that "*...Northern help has become more and more contingent on ideological conformity, economic consonance and the presence of democratic governing forms in the South*" (Graf, 1996:39).

Taking this transnational correlate of democratisation into account, its implied causal effect on democratisation paths for developing countries, and comparing it with domestic forces of democratisation, the following section analyses the extent to which these dictates have coincided with domestic forces in shaping development policies of the post-1994 South Africa. While it is expected that both the internal and external forces had some causal effect on such policies, the idea is to ascertain the predominantly decisive causes, as well as to ascertain whether South Africa's macro-economic policy in its form and structure, is in fact, internally or externally focused.

2.3.1. Socio-Economic Discrepancies and Democratisation in South Africa

Throughout the apartheid era, South Africa was (and still is) one of the countries with the most unequal distributions of wealth and income in the world. For example, income and expenditure survey of Statistics South Africa indicates that the poorest 50% of South African households received only 11% of all household income, while the wealthiest 20% receive 65% of all household income, and the most affluent 10% received a staggering 48% of the total as of 1994. The most recognised indicator of income inequality, the Gini co-efficient, which varies between 0 (perfect equality), and 1 (perfect inequality) was estimated at 0.59 in 1995, thereby exposing South Africa's income inequality level as one of the highest recorded in the world (<http://www.isa.co.za/ResourceCentre.Default3.htm12/12/2000>).

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While international comparisons of income distribution are not conducted regularly and are subject to various data problems and other sources of error, 1993 estimates (those particular estimates put South Africa at 0.65) indicate that South Africa's income distribution gap is decidedly higher than that of most other countries, except Brazil (<http://www.isa.co.za/ResourceCentre/Default3.htm>15/12/2000).

Using government race classifications, it is clear that there are vast inequalities in income between different groups. The African group's average household income was estimated at R23 000, the Coloured group was R32 000, Indians R71 000, and Whites R103 000 per annum in this period. Simultaneously, Africans constitute around 76% of the population, Coloureds 9%, Whites 13%, and Indians 3%. Along with this goes a legacy of a high illiteracy rate, poor health conditions, massive unemployment and inadequate infrastructural conditions among the majority of the victims of apartheid in South Africa (<http://www.isa.co.za/ResourceCentre/Default3.htm>). It was in the light of these development discrepancies that the supporters of the tripartite alliance had expected the ANC-led government to adopt a socialist redistributive economic policy that would reverse the imbalances of the past when it entered into office (Marais, 1998:179).

2.3.2 Internal Definition of 'People-Based Development' in South Africa

Beginning with the ANC, this organisation had no clearly formulated economic policy at the time of its un-banning in February 1990 (Marais, 1998: 147; Taylor, 2000:139). This was largely a consequence of the fact that the ANC, as a resistance movement, had not prioritised economic strategies while in exile prior to 1990 (Ward, 1998:38). Instead, the ANC relied on broad and perhaps vague principles of the Freedom Charter that suggested a redistributionist and a somewhat populist economic model. Based in Mandela's first speech upon release from prison in February 1990, the ANC believed in a crude policy of economic redistribution based on the Freedom Charter, which called for nationalisation of the commanding heights of the economy, including banks and mines (Financial Mail, 14 March 1997, www.fm.co.za/97/budget/anc.htm12/12/2000).

The main development concerns of the ANC at the time, according to Mandela (1993:4) were, firstly, the high poverty levels as caused in part by unemployment rate

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as high as 40 percent. Secondly, the ANC was concerned about the very poor social and economic indicators for the black population, particularly in the rural areas (Nomvete, 1993:17). These problems, argued Mandela, were compounded by the fact that inequalities remained entrenched along racial lines. To this effect, section B (6) of the ANC's 1991 constitution sets out to promote economic development for the benefit of all the people.

While Mandela indicated that the South (and South Africa in particular) was still going to need external assistance, among other things, to redress its development challenges, he also mentioned that *'[t]he chasm between the industrialised North and the underdeveloped South is deepening. If there is to be global harmony, the international community will have to discover mechanisms to bridge the divide between its rich and poor ...'* (Mandela, 1993:2). With regard to liberalisation, Mandela added that South Africa could not be expected to integrate its trade regime into the global system overnight, and that it was to resist any attempt by GATT to force it to do so (Mandela, 1993:5). South Africa, according to Mandela, had to strive to strengthen its South-South ties to help protect itself against economic marginalisation. It should be noted however, as Mandela declared two days after winning the elections, that there was not even a single reference to things like nationalisation in the ANC's economic policies, nor a slogan that linked the ANC to any Marxist ideology (*Sunday Times*, May 1, 1994). The ANC had shifted from the initial frame of economic thinking that had prevailed in the tripartite alliance before the 1994 elections. Its relations with other resistance movements were equally vague, to enable a unanimous collaboration in formulating a common development policy. Although the ANC and its alliance had collaborated with other leftist minority parties including AZAPO and the PAC on key anti-apartheid factors, there had been fundamental differences on the means to be used to address matters of reconstruction and development, such as land issues. For example, while the ANC believed in a negotiated settlement and a consideration for reimbursements for land transfers, the Pan Africanist Congress (PAC)³ and its far-left

³ PAC, a South African political party, formed as a militant black-nationalist group in 1959, when it broke away from the African National Congress (ANC), promoting a black-only policy for Africa.

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counterparts emphasised a direct redistribution of the 87% of the land that had unjustly been given to 15% of the population through the Land Acts of the past, with compensation only for improvements (<http://www.paca.org.za/elect99.htm.12/14/2000>).

2.3.3 Internal Agenda Setting for Reconstruction and Development

The reason an internally defined reconstruction and development programme (RDP) was needed, according to the ANC and the rest of the mass democratic movement (MDM), was that *"Our history has been a bitter one dominated by colonialism, racism, apartheid, sexism and repressive labour policies. The result is that poverty and degradation exist side by side with modern cities and a developed mining, industrial and commercial infrastructure. Our income distribution is racially distorted and ranks as one of the most unequal in the world - lavish wealth and abject poverty characterise our society"* (www.polity.org.za/govdocs/rdp/rdp/html.12/13/2000p1-2). To redress these problems, the RDP was set to be an *integrated and sustainable, people driven* (rather than externally driven) process that is bound up with peace and security for all, nation building, the linkage between redistribution and growth, and the democratisation of South Africa. The programme was aimed at achieving results via five key programmes:

- Meeting basic needs (job creation, addressing land issues, housing, water, electricity, telecommunications, transport, a clean environment, nutrition, health care and social welfare) was a first priority of the RDP;
- Developing human resources (including *arts and culture, sports and recreation, youth development, and education and training, including affirmative action*). Regarding this point, various ethnic groups had historically been subjected to inferior educational and economic opportunities in the past. Affirmation action therefore refers to those legislated and unlegislated policies designed to level the playing field between the victims and the beneficiaries of the legacy of

PAC was outlawed in 1960 and un-banned in 1990; its military wing, APLA, was called Poqo ('we alone') ... It is more radical than the ANC, advocates a radical redistribution of land and a state-run

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discrimination in South Africa (Price Waterhouse publication, January 1996:2). The policy aims at developing and making it possible for the historically marginalized segments of society to access economic resources, such as jobs that were historically reserved for the beneficiaries of apartheid.

- Building the economy;
- Democratising the state and society; and
- Implementing the RDP

(www.polity.org.za/govdocs/rdp/rdp2/html.12/13/2000p1)

In view of the above-mentioned areas of socio-political and economic problems in South Africa, COSATU, later in consultation with its allies (the ANC and the SACP), as well as the rest of the mass democratic movement (MDM) in the wider civil society, debated and drafted a reconstruction and development programme for a post apartheid South Africa during the course of the multi-party negotiations (Marais, 1998:178-9). As the political negotiations drew to a close in 1993, the RDP emerged as an attempt to devise a set of social, economic and political policies that could transform South Africa into a more just and equal society (Marais, 1998:177). The RDP policy went through six draft stages, incorporating much of the public consultation, including the corporate business whose support had to be secured through compromises (Marais, 1998:177). *“It was promoted as a unifying, national endeavour that allegedly transcended parochial interests; the RDP ‘belonged’ to everybody”* (Marais, 1998:177). Based on this supposedly integrated analysis of South Africa’s development crisis, the RDP was considered to be representing more than just a development framework: it aimed at completely transforming politics, the economy and society. In fact, it claimed to be an integrated, coherent socio-economic policy framework for redressing the poverty and deprivations of apartheid, developing human resources, building and restructuring the economy and democratising the state (Marais, 1998:180). Among other things, the initial document of the RDP had pledged to create 2.5 million new jobs in 10 years; build one million low-cost homes by the year 2000; provide electricity to 2.5 million

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homes by the year 2000; provide running water and sewage systems to one million households, redistribute 30 per cent of agricultural land to small-scale black farmers within five years, and the restructuring of state institutions to reflect the racial, class and gender composition of South Africa, among other things (Marais, 1998: 180).

What can be deduced here is that, according to the proponents of the RDP, it represented what 'South Africans' felt were the reconstruction and development priorities of their own country (www.polity.org.za/govdocs/rdp/rdp/html.12/13/2000). As inclusive as the RDP formulation process was, such claims remain questionable as there is no guarantee that all South Africans, even within the Tri-Partite Alliance, were in complete agreement with the entire form and content of the RDP. To this end, Marais (1998:183-187) describes the RDP formulation process as having been a '*terrain for struggle*' where conflicting national views and interests of sectors such as business, labour, and politics had to converge. Different views had converged to the extent that the original content of the RDP had completely changed by the time of the ANC's entry into office. Marais (1998:185) argues that even '*the fact that the RDP emerged from the leftist popular movement was no longer obvious in 1994*'. In fact, '*what surprised many progressives...was the extent to which the scope and content of the RDP became circumscribed by conservative government policies which ignored most of its progressive component*' (Bond, 1996b).

There are several points to be noted in this agenda-formation process. Firstly, that it has leftist origins dating back to the pre-democracy era before the ANC became the ruling party. Secondly, that the idea of the RDP did not originate with the ANC, but was forced on it by COSATU⁴ as a condition for their support in the 1994 election (Marais, 1998:179). In fact, both COSATU and the SACP managed, in this process, to force the ANC to accommodate their views on its agenda at the time, by portraying the socialist economic views of the SACP, and the RDP ways of thinking as though these were ANC policies in its statements. The cause for suspicion of the ANC's commitment to

⁴ To this effect, Karl von Holdt (1993:25, in Marais 1997:179) indicated that "COSATU has chosen to help the ANC draft a broad programme for transformation that tries to anticipate and accommodate the interests of most forces in our society".

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its socialist rhetoric of 1990, according to Taylor (2000:145), is based on the fact, firstly, that its leadership (Mandela) ... '*seemed (more) at ease with bankers than trade unionists*' in this period. Furthermore, the ANC was noted in Sanlam's *Platform for Investment Document* in 1993 as accelerating its '*close working relations*' with the World Bank, the Development Bank of Southern Africa, the Consultative Business Movement, and other organisations that were painstakingly working against the socialist redistributive model of economic thinking (Bond, 1996b:7). Lastly, that the feasibility of the RDP agenda remained dubious, especially the first priority of meeting basic needs. Dubious in that it would have required massive government spending rather than tight fiscal measures in a future economic policy. It remains unclear as to how a new government would have implemented such an economic policy, and still achieve its economic growth objectives, given the external pressures of globalisation and liberalisation that would require tight fiscal discipline, inflation targeting measures, and the privatisation of industries as discussed in earlier sections.

Questions can be asked as to whether the ANC had genuinely believed in a socialist distributive economy. Taking for granted that the socialist economic views as declared by Mandela in 1990, were a "genuine" representation of its economic thinking at the time (a view which remains debatable), it can be argued then that the ANC was indeed very quick in re-adjusting its economic views. For example, a shift in economic thinking became evident four years after the 1990 populist utterances, and two days after winning the elections, when Nelson Mandela denied, as it will be discussed in the following sections, that there was any reference to things like nationalisation or other socialist rhetoric in the ANC's economic policies (*Sunday Times*, 1 May, 1994; Taylor, 2000:100). The progress of the RDP implementation will be evaluated in the next chapter, where South Africa's macro-economic policy will be analysed.

2.3.4 Democratisation and the Current Hegemonic Order

Hardly a year after its unbanning, the ANC acted in a manner which suggested South Africa's dependence on the transnational capitalist element for support in the country's reconstruction and development. This was evident in Nelson Mandela's speeches, both to South African business executives in May 1990 and on 19 June 1990 in the USA,

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where he appealed to American Big Business for investments (see Mandela, 1993, www.anc.org.za/ancdocs/history/mandela/1990/sp900619.html. 12/12/2000).

As Nelson Mandela and the ANC continued to appeal to the international business community for economic support, it is not clear how this organisation would have been able to remain immune from the dictates of the transnational capitalist element in its policies when entering into office. The point here is that South Africa's democratisation process, like that of any other country, unfolds within the global political and liberal economic system which seeks to impose a transnational capitalist economic agenda on developing states (Robinson, 1996:633).

While the idea of economic globalisation suits the economic liberalist view, which argues that interdependence enhances harmony among states, the nationalist theory posits that it increases national vulnerability by creating a mechanism for the domination of one society, perhaps a nation or a state, by another (Gilpin, 1987:13).

In line with this nationalist thinking is the realist view that the global economy is being shaped by the concepts of structural power and self-interest of hegemonic states (Keohane, 1984:31-32). Structural power, according to Strange (1988:24-25), is the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises, their scientists, and other professional people have to operate. The U.S. democratisation initiative speaks for itself in this respect.

For example, through the USAID, the US launched its democracy initiative in April 1990, making the promotion of democracy its central aim (see USAID, 1997, chapter 2). This position was formalised in the announcement by the then U.S. Assistant Secretary of State for African Affairs, Herman Cohen, stating that democratisation was to join economic reform and human rights as a condition for future U.S. assistance (Lawson, 1996:5). To put its policy changes into practice, the US re-oriented its development assistance by discontinuing its aid support to long-time Cold War allies (Zaire, Liberia and Sudan) that were actively resisting liberalisation in this period. Instead, US aid was channelled to countries such as South Africa, Ethiopia and Mozambique, in support of their serious liberalisation initiatives (Lawson, 1996:5). The

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point here is that, unlike these post-Cold War allies of the U.S., South Africa's neo-liberal reforms were appealing to the expectations of the U.S., which led to the S.A. becoming one of the U.S. aid recipients; a development suggesting that S.A.'s policies were becoming less and less hostile to U.S.'s agenda of promoting its transnational interests. The U.S., according to Robinson (1996:618), as the last dominant core nation state and the one under whose aegis globalisation unfolds, is not acting on behalf of a U.S. elite in elaborating a policy of democratisation, but playing a leadership role on behalf of an emerging international elite. An immediate emulation of the "democracy promotion policy" by France and Britain, only two months after its initiation by the US, clarifies this leadership position (Robinson, 1996:619).

For a hegemon to exist, according to this model of thinking, there must be one state that is powerful enough to maintain the essential rules governing interstate relations, and that state should be willing to do so (Keohane & Nye, 1977:44, in Keohane, 1984:35). Moreover, hegemonic powers must have control over raw materials, sources of capital, markets, and a competitive advantage in the production of highly valued goods (Keohane, 1984:32). Furthermore, a hegemon should have the military power to enforce and protect its economic control and the willingness to enforce world security, a requirement that the U.S. did fulfil in the period of 1945-1983 (Keohane, 1984:40-41).

While a realist, nationalist or even a Marxist definition of hegemony is informative, for purposes of this study, hegemony defined in this way is inadequate in a number of ways. Inadequate in that it limits hegemony to, if not equates it with, structural domination alone, thereby suggesting the application of power by one nation over others in the context of an unequal distribution of international power and resources (Robinson, 1996:629). Instead of a one nation dominance, hegemony in Gramscian construct as used in this study, is a form in which nations or groups, operating in cross-national setting, may exercise domination in the international arena, largely through consensual mechanisms (Robinson, 1996:630). In other words, for transnational domination to be hegemonic, it requires the ideological incorporation of both dominant and subordinate groups in the centre and periphery. The locus of such a hegemony

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would be a sufficiently developed civil society constituted on the foundations of capitalist political-economic relations as managed by the transnational elite (Robinson, 1996:633). Hegemony interpreted in this sense manifests itself through polyarchal or consensual domination in transnational settings. In perpetuating this order, political superstructures of a coherent social order combine both consensual and coercive based elements (Robinson, 1996:628). The outcome is that, unlike the coercive imposition of an ideology (by a hegemonic state like the U.S.) on countries such as South Africa, as suggested by the conventional interpretation of hegemony, the consensual aspect of the current hegemonic order would induce the ruling elites of a newly democratising state to adopt the orthodox thinking or ideology as though it were their own. The subtle socialisation of the ANC into orthodoxy, which resulted in the GEAR policy in South Africa as discussed in section 3 below, would speak for itself.

Despite the shortcomings in the realist and nationalist definitions, the analysis of a hegemon in this study, according to Robinson (1996:618), is not entirely in disagreement with the assertion by Keohane (1984:37) that America has been much more effective in setting the rules of the world's global-political economy than Great Britain or the Netherlands had been in their respective turns over the previous centuries. The difference in Gramscian terms though, is that instead of America being a one-nation hegemon over world affairs it is the leader of, or at times, a representative of the transnational hegemonic order. To this effect, the U.S. elite's leading role in the formation of the post-second World-War international institutions, such as the General Agreements on Trade and Tariffs (GATT), the World Bank and the International Monetary Fund (IMF), needs no elaboration. America has been a leading military power since the end of the Second World War, and a leader of the Northern bloc during the Cold War era. America and its allies later initiated the global economic structure in terms of the Washington consensus, along which the nations of the world should model their economic policies if they are to be in line with the global economic order. The term *Washington consensus* refers to the directives of the IMF, as initiated by the USA, for states to liberalise their economies and to implement the IMF voluntary standards that are to be followed in disclosing financial data (USA-GAO document, 1996:7-9).

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These directives include a requirement that states should comply with "global friendly" fiscal discipline (Isaak, 1995:96-97), which is an arrangement that restricts government spending, and perhaps also a government's discretion as to how far it can spend in delivering public goods. The need for foreign investment, as well as a need to be in the 'good books' of the world financial regimes, places pressure on developing countries to comply with the directives of the global hegemonic order, and in that way to trade-off their sovereignty in making independent policy decisions. Instead, they must make policies that privileges the transnational capitalist order.

As is made clear in U.S. foreign aid policy, the aim of democracy promotion by donor countries is to advance their own economic interests, and those of the global capitalist order. Along with this drive for democratisation by the North, an argument prevails in modern development vocabulary which claims that democratisation, as defined by the North, leads to economic development and the improvement of living standards in developing countries. The controversy surrounding this assertion, as section three indicates, lies in the process by which reforms are introduced by developing countries. Lawson (1999) argues that it is the externally defined processes of democratisation that are, to a great extent, responsible for democratic institutional failures in Africa. The reason, according to Lawson, is that these externally-oriented initiatives do not identify with the aspirations of the local people whom they claim to be serving. Instead, they promote the interests of the current hegemonic order that they represent. Contrary to this critique are the proponents of liberal democracy who take it as a universally applicable and non-negotiable norm that political and economic transitions should unfold according to their vision. In view of this debate, and in an effort to analyse the path of economic-liberalisation in South Africa, the following section analyses the path which led to the GEAR policy, and ascertains whether the issues involved and processes undertaken in the establishment of this policy seek to address socio-economic development needs or, perhaps, are prioritising the transnational capitalist interests as argued by Robinson (1996). If the path to policy favours the externally defined needs at the expense of the internally defined agenda, the indication is that the current hegemonic order is dictating the form of democratisation in South Africa.

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IN SOUTH AFRICA****3. NEO-LIBERALISM AND A SHIFT IN THE ANC'S ECONOMIC
THINKING**

Prior to its unbanning, the ANC had concentrated its resources more on efforts to overthrow the apartheid regime than to prepare for the post apartheid governing policies. In fact, “*when the ANC was unbanned in 1990, it had no economic policy...*”(Marais, 1998:147). While its 1988 Constitutional Guidelines had committed it to a mixed economy, the ANC was stuck in a policy vacuum, and invoked vague, sweeping passages of the Freedom Charter which pledged that:

- The people shall share in the country’s wealth;
- The national wealth of our country, the heritage of all South Africans, shall be restored to the people;
- The mineral wealth beneath the soil, the banks and industrial monopolies shall be transferred to the ownership of the people as a whole;
- All other industries and trade shall be controlled to assist the well-being of the people;
- All people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions (Karis and Carter, 1997:206, in Marais, 1998:147-8).

The origins of a shift from this socialist redistributive rhetoric in the ANC’s economic thinking can be traced back to its 1990 *Discussion Document on Economic Policy*. The document’s central thesis was the ‘restructuring of the economy’, which according to Nicoli Natrass (1994c: 6, in Marais, 1998:148) could include anything from extensive state intervention to conventional market-driven structural adjustment. It placed emphasis on the need for the restructuring of the financial sector which at that stage, according to the document, did not sufficiently direct savings into productive activity nor into critical areas of infrastructural development, and therefore encouraged a scramble for short-term speculative profit (ANC Discussion Document on economic Policy, 1990; Marais, 1998:148). The document also suggested the unbundling of conglomerates in order to stimulate competition and allow entry by small and medium-

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sized enterprises into the economy. Additional suggestions included the theme of 'growth through redistribution' where the fruits of growth would be redistributed to satisfy basic needs, the notion which was regarded by many as the COSATU and SACP project within the ANC (Marais, 1998: 148). This redistributive reasoning was, however, criticised by mainstream economists and media on the basis that a redistributive spending spree by the government would lead to exchange control shortages, currency devaluations, rampant inflation, severe indebtedness, cuts in real wages, and to overall budgetary, monetary and balance of payments constraints (Marais, 1998:149).

While accuracy in pinpointing the factors that led to the conversion of ANC economic thinking to orthodoxy cannot be guaranteed, a series of corporate scenario planning exercises that unfolded after 1990 had a causal impact. The first of these scenarios was a Nedcor/Old Mutual's *Prospects for a Successful Transition* which was completed in 1993, followed by Sanlam's *Platform for Investment* scenario exercise and the social-democratic *Mont-Fleur Scenarios*. Along with these processes were documents like the South African Chamber of Business's (SACOB's) *Economic Options for South Africa* document that also made its presence felt (Marais, 1998:150). A common thrust in these scenarios, as well as in the documents, was the demonisation and the labelling as 'macro-economic populism', any attempt to ground future economic policy in the mutually reinforcing dynamic of growth and redistribution (Marais, 1998:150). In addition, the business elites further promoted their impact by hosting a series of seminars, conferences, workshops, briefings, international 'fact finding' trips and high profile visits by carefully chosen foreign 'experts' who were financed by big business and foreign development agencies. A positive impact of these projects on the ANC's conversion into orthodoxy was noted in Sanlam's *Platform for Investment* document in 1993, which highlighted the close working relationship between the ANC, the World Bank, the Development Bank of Southern Africa, the Consultative Business Movement, and other organisations that were painstakingly pointing out the long run dangers or costs of redistributive strategies (Bond 1996b: 7, in Marais, 1998:151). This process, as Taylor (2000:144) argues, "was tactically the construction of hegemony at both the coercive and consensual levels". In fact, these hegemonic tendencies

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convinced a fairly large number of the ANC elite that "there was no alternative to the common sense of neo-liberalist policies, and that globalisation had constrained their options" (Taylor 2000:145). As a result, the ANC leaders were prepared to drop the old ideas and embrace new neo-liberalist ideas in which they had developed confidence.

By late 1993, according to Kentridge, (1993, in Marais, 1998:154), the language and tone [of the ANC and business policy documents] were so similar that at times they appeared interchangeable. The change, which angered the ANC's grassroots constituencies and COSATU (Marais, 1998:154), was not portrayed as a shift in economic thinking by the ANC, but as a reflection of the fact that the ANC leadership had simply begun to worry about ensuring long-term sustainable growth, as well as its long term political future. This resulted in its future policies becoming more 'pro-business', with finance minister Trevor Manuel being instrumental in this process (Natrass, 1994c, in Marais, 1998:157). Contrary to this claim, however, is the evidence that shows that the hegemonic order, as interpreted in this study, was largely at play in the socialisation process of the ANC from the populist economic thinking into neo-liberalism prior to 1994. In this case the transnational capitalist elite had applied various measures to co-opt the ANC into this neo-liberal economic way of thinking. A "charm offensive" was launched on the ANC's elite by big capital and its class allies, particularly in the business press and various think tanks, to "correct" any remaining heresy in the ANC's economic policies (Financial Mail, April, 1994. in Taylor, 2000:144).

Such a continued interaction of the ANC leadership with the outside world, accompanied by canvassing for support for both a democratic process and economic development in the future, post-apartheid, South Africa, increased the ANC's vulnerability to external dictates in its economic policies. In his address to the World Economic Development Congress in Washington D.C. on 24 September 1993, Mandela said that "*We appeal to you, who are important players in the world economy, to seize this historic moment of the lifting of economic sanctions against South Africa, to look afresh at our country in terms of investment, trade and other economic opportunities*" (Mandela, 1993:1, www.anc.org.za/ancdocs/history/mandela/1993/sp930924a.html)

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12/12/2000), indicating the ANC was already putting itself at the mercy of the global hegemonic order. It should be remembered that the investment, trade and other economic opportunities that Mandela referred to have always been, and still are, under the control of the global hegemonic order led by the "*one remaining core state - USA*" according to Robinson (1996:618)⁵.

It has been clearly shown in chapter one that the IFIs are the agents of a North defined version of democratisation and liberalisation. The true colours of this version have been exposed and are found to be merely *polyarchy promotion* with its associated implications. As a matter of fact, external donors who are committed to and are collaborating with each other in enforcing the notion of democratisation, liberalisation, and aid conditionalities in Africa include the United States of America through USAID, Canada, Denmark, the European Union (EU), the United Kingdom, the Commonwealth Secretariat, the World Bank, the IMF, and the African Development Bank (USAID, www.usaid.gov/pubs/cp2000/afr/isa.html.12/9/2000). These forces, and America in particular, through USAID and in collaboration with its allies and the IFIs are on a mission to promote their own economic interests in the developing world through aid and development conditionalities. As a result it should not be unexpected that they should grab any opportunity to make impositions, should any expedient opening to do so be found. In the same speech, and perhaps unintentionally, Mandela invited the partnership of the IFIs in developing South Africa when indicating the dependency of the South on international regimes and the IFIs. He asserted that "*The lifting of economic sanctions will also lead to the normalisation of our relations with the international financial institutions (IFIs) such as the IMF, the World Bank and the African Development Bank*" (Mandela, 1993:4, www.anc.org.za/ancdocs/history/mandela/1993/sp930924a.html.12/12/2000).

Although this phrase was uttered in a celebratory tone, appreciating the normalisation of these relations, the ANC may or may not have realised that this part of the package

⁵ In fact, the *polyarchic* definition of democracy, along with its hegemonic implications, and in competition with the concepts of popular democracy, was developed in U.S. academic circles, closely tied to the policy making community in the United States in the post-World War II years (Robinson, 1996:624). In this respect, see Robert Dahl (1971), **Polyarchy**, Yale University Press, U.S.A.

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of normalising such relations also implied succumbing to the dictates of these institutions in formulating economic policies. In addition, the ANC faced the risk of local business having to seek other investment havens elsewhere, should the economic policy of the new government not favour their interests. This fear was evident in Nelson Mandela's speeches, both to South African business executives in May 1990, and in the U.S., where he appealed to American business for investments on 19 June 1990, promising that their investment would be safe in South Africa (see Mandela, 1993, www.anc.org.za/ancdocs/history/mandela/1990/sp900619.html.12/12/2000).

In fact, soon after entering office the ANC was overcome by a combination of pressures which persuaded it to shift towards a neo-liberal type of economic policy. The strongest of domestic pressures were massive budget deficits created by the outgoing National Party government, raising the stock of government debt from R 100 billion to R250 billion towards its last term of office. This figure includes R60 billion increase in national debt during the NP's final year of office alone (Taylor, 2000:145; Duffy, http://aidc.org.za/themba/on_macro_eco_pol.html). In this way, *"the regime circumscribed any future ANC government's room for manoeuvre, as further spending in order to redistribute wealth for example, would lead to inflation and massive debt"* (Taylor, 2000:145).

In the presence of these realities, as well as the ever-increasing co-optive and coercive nature of the current hegemonic order, the policy options for the ANC were limited to the neo-liberal economic model of thinking. The global hegemonic order had won the ideological battle privileging neo-liberalism over the socialist, re-distributive economic model originally preferred by the ANC policy makers. Under this ideological co-option, with both consensual and coercive elements on the ANC elite, a neo-liberal economic discourse began unfolding upon ANC entry into office in 1994, where *"on May Day, 1994, Nelson Mandela declared in the country's largest newspaper..."* (Marais, 1998:146) that: *"In our economic policies...there is not a single reference to things like nationalisation, and this is not accidental. There is not a single slogan that will connect us with any Marxist ideology"* (Sunday Times, 1 May 1994). Bearing in mind that Nelson Mandela had made an opposite assurance in 1990, indicating that

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"...the nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our views in this regard is inconceivable" (Sowetan, 5 May 1990), it remains unclear whether the ANC was changing its views or whether, perhaps, the initial position had never been its own position, but that of its associates in the Tri-Partite alliance. What is clear though, is that the ANC was now speaking a new neo-liberal economic language that appealed to the business community (Marais, 1998:146). This new language was accompanied by a subtle dismissal of MERG and its recommendations in 1993 (Marais, 1998:158), probably due to a change in the ANC's economic thinking. By 1994, Adelzadeh and Padayachee, (1995:11) had detected and analysed the trend towards a *"strategy of development, based on an essentially neoliberal, free-market ideology, or the magic formula of privatisation..."* in the ANC as a new government. These trends were followed two years later by the release of a discussion document on a new economic policy called *The State and Social Transformation*, in 1996. This document set the scene for the new economic strategy of the government, the Growth, Employment, and Redistribution (GEAR) policy (Marais, 1998: 147; www.ligstrders.bizland.com/roca/97apr/rrr.htm.12/12/2000)⁶.

This strategy, claimed the ANC, was aimed at creating the environment of macro-economic balance required for the realisation of the RDP (www.anc.org.za/ancdocs/history/conf/conference50/resolutions5.html.12/12/2000). While some of the GEAR objectives do coincide with the RDP objectives, e.g. sustainable economic growth, accelerated employment growth, enhanced human resource development, and greater labour market flexibility, the rest of the GEAR objectives and the means to attain them remains purely neo-liberalist. For example, instead of nationalisation, the new policy promotes economic liberalisation and the privatisation of major state assets. Instead of increased government spending on providing the basic social needs (the main RDP priority), the GEAR policy calls for tight fiscal controls associated with inflation-targeting mechanisms. Instead of protecting local industries against

⁶ Also see Business Day, 23 October 1998, Article: *"Changed economic imperatives dictate new policy shifts in ANC alliance"*, in www.sacp.org.za/pr/press/1998/nw1023.html.12/15/2000.

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competitively advantaged transnational forces, the policy seeks to speed up the liberalisation of trade, as well as to speed up the restructuring (and privatisation) of state assets to optimise investment resources (RDP document, 1996, www.polity.org.za.govdocs/policy/growth.html.12/15/2000).

To justify this shift in economic thinking, the ANC indicated in *The State and Social Transformation* of 1996 that "*the local and international balance of forces allowed no other option*" (www.ligstrders.bizland.com/roca/97aprrr.htm.12/12/2000). Although the national debt problem had limited the ANC's options on reconstruction and development policy realities, the transnational capitalist element had a stronger influence in changing the ANC's economic thinking. In this period, for example, the ANC leadership had constantly sought the views of international businessmen and bankers on South Africa's future. With the ANC leadership being wined and dined by the business sector morning, noon and night, it can be seen that the objective of shaping common sense by these scenarios according to Taylor (2000:147), was to significantly alter the mind-set or paradigm through which decision makers saw the world. In addition, according to Taylor (2000:145), "*The consensual aspects of the construction of hegemony vis-à-vis the ANC leadership was also helped by Mandela's seeming eagerness to mix with the privileged elite, and that he seemed more at ease with bankers than trade unionists*".

The Gramscian notion of hegemony, according to Robinson (1996:628), binds together a "bloc" of diverse classes and groups under circumstances of ideological cooptation and consensual domination. In addition, hegemony mediates relations between dominant and subordinate groups, and also relations among dominant groups.

Following the co-option of the ANC elite by the hegemonic forces, some elites within business circles began priding themselves on having "weaned the ANC off its past economic fantasies..." (Adam, 1997, in Taylor 2000:144). Clearly, on the ANC's own admission, the following disagreement with GEAR policy within the Tri-Partite alliance indicates that the policy objectives had shifted away from the initial socialist and redistributive economic agenda.

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IN SOUTH AFRICA****3.1 GEAR - Not a People-Based Development Policy**

On its own admission, the ANC has shifted from the previous economic thinking in arriving at GEAR. The *State and Social Transformation* document explains this shift in terms of the argument that "... *the local and international balance of forces allowed no other option*" outside that of GEAR (www.ligstryders.bizland.com/roca/97apr.html, 12/12/2000).

This shift has created major dissatisfaction and unhappiness within the Tri-Partite alliance.

3.1.1 The SACP and GEAR

The SACP Deputy Chairman and Deputy Secretary General, Blade Nzimande and Jeremy Cronin respectively, targeted GEAR as a "*radical and curious shift*" from previous thinking. According to the two SACP officials, the new shift was a "slide into a technocratic, class-neutral approach to politics, that abandons the transformation of existing power realities, and seeks to promote a passive, regulatory pragmatism that can only serve to legitimise and entrench inequalities. As reported in the African Communist Quarterly bulletin 1997 (147), GEAR, according to the SACP, is polemically exhorting workers not to be infantile or subjective, while hardly making any prescriptions to capitalists at all (www.ligstryders.bizland.com/roca/97apr.html, 12/12/2000).

Interpreted in the language of this study, the SACP finds GEAR to be an economic policy that has been prescribed by the hegemonic order, and therefore imperialist, in that it seeks to promote "transnationalist" interests above those of labour and development of the people. Clearly, the SACP and COSATU felt betrayed: first, by the lack of consultation on the part of the ANC in formulating the GEAR policy, and secondly, by the fact that GEAR does not appear to be a viable tool for achieving reconstruction and development as had previously been understood in the Tri-Partite alliance. While GEAR had sought to reduce the budget deficit from 5.1% of the GDP during the fiscal period 1996/7, to 3.0% by the end of the year 2000, the SACP felt that fiscal targets should have been relaxed to promote an accelerated growth in the economy. Clearly, according to the SACP, through GEAR, the alliance is "*in danger of*

CHAPTER 2**DEMOCRATISATION AND NEO-LIBERALISM
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falling into a neo-liberal trap" (African Communist Quarterly bulletin 1997(147) in www.sacp.org.za/ac/ac147.html.12/13/2000).

3.1.2 COSATU and GEAR

COSATU, as part of the tripartite alliance and a representative of the employed section of the working class in South Africa through labour militancy, had a loud voice in the democratisation process, as well as in the pre-1994 development agenda discourse. Given that it represents a diverse group of the labour, COSATU prides itself on having become a 'paragon' of labour liberation virtue in South Africa over the past several decades. The status of 'paragon' could hold only if all the working class in South Africa were employed and all were members of this labour organisation, a condition which remains utopian under the current South African economic conditions. For example, the high unemployment rate in South Africa raises questions as to whether COSATU was not merely a representative of a privileged section of the working class. Despite this challenge to its status, COSATU remains one of the strong forces in labour in South Africa.

In the same way as the SACP, if not more so, COSATU was outraged by the shift in economic thinking which resulted in the neo-liberalist economic policy of the leader of the alliance, the ANC, in 1996. Minimal consultation in the process that led to the policy was of even more concern to COSATU than it was for the SACP (www.sacp.org.za/ac/ac147.html.12/13/2000). The reason for this was a bias in the contents of GEAR that appeared to privilege what COSATU saw as the exploiters of labour. The following extracts from different meetings and conventions of COSATU and/or its affiliates, along with resolutions taken in these gatherings, indicate that GEAR is a policy that is not internally, but externally driven, and does not, in its entirety, address the internally defined development needs of the underprivileged people of South Africa.

3.1.2.1 NUMSA's Fifth National Congress - 1 October 1996

NUMSA, as a strong affiliate, has a valuable influence on COSATU's policies. In response to the GEAR policy of the government, the Fifth National Congress of NUMSA passed the following resolution:

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"The congress agreed that our economic policies must give support to the majority of the working class and not just formally employed workers. To this end it 'disagreed' with government's GEAR document and reserved the right to continue to argue against this strategy" (Numsa Press releases,; www.numsa.org.za/press/press.htm/12/13/2000). In view of this developing trend in the policy making of the leader of the Alliance, the ANC, NUMSA empowered its central committee to review on a continuous basis its participation in the Alliance.

3.1.2.2 *Economy vs. Development: A COSATU Perspective*

Referring to government proposals for GEAR in May 1996, and its emphasis on GDP growth, COSATU president John Gomomo asserted that *"[n]arrow economic growth based purely on percentages of GDP increases is not what we, as workers, are interested in. The fact that there was a 3.5% growth in the economy in 1995 in South Africa has not made the slightest impact on the lives of the unemployed, the homeless and those with poverty. The beneficiaries are a few shareholders. The facts are that very few jobs were created, and very few jobs are being created now"* (Gomomo, 1996., www.cosatu.org.za/speeches/1996/jgomo.html12/13/2000). Gomomo added that the region must, therefore, find a dynamic link between economic growth and development. Economic growth not rooted in development, according to COSATU, cannot make any difference in the lives of the working people.

In the same platform, COSATU Secretary General Sam Shilowa (1996), made an elaborative reference to the interaction between international and internal forces and their impact on development policy of the country. In his address, Shilowa (1996) clarified COSATU's position on the privatisation drive that was forthcoming in South Africa. COSATU is against privatisation, according to Shilowa (1996), because *"... it will lead to massive retrenchments and lay-offs at a time when a number one priority (in terms of the RDP) is to create jobs ... For us (COSATU), any declaration that privatisation resulting in increased unemployment has been successful would be akin to a surgeon coming out of an operating theatre and saying: The operation was a success, but unfortunately the patient is dead"* (Shilowa, 1996, www.cosatu.org.za/speeches/1996/sampriv.html.12/13/2000). Shilowa added that COSATU is not, in fact, so naive

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as not to see that the call for privatisation is part of an international trend to reduce the role of governments in their countries' economies. The impetus for the trend, added Shilowa, is the desire of the multinational competitors to expand their markets and increase their profit margins. With this understanding, COSATU warned against a situation where economic options would be dictated by interests other than South Africa's. The unfolding of this scenario in South Africa confirms Lawson's (1999:23) scepticism of the external democratisation that has mushroomed in Sub-Saharan Africa. To this effect, Lawson (1999) argues that external democratisation is difficult to consolidate, probably due to the fact that it is not internally driven and therefore fails to address internal development needs.

On the question of "transnational elitism" COSATU's Shilowa argued that the impetus for privatisation has actually gone beyond being merely driven by an external elite, but also incorporates an internal elite factor. In South Africa, the factor of what Graf (1996:40) calls the "Southern elite" is represented by the SA Foundation, representing the highest level of South Africa's business elite. This sector, according to Shilowa (1996:4) has seen fit to add an adjective, calling for "brisk" privatisation, a trend that combines with the international factor in conditioning the government's manoeuvring ability in policy formulation.

4. CONCLUDING REMARKS

It has been evident in this chapter that the democratic forces are capable of setting their own development agendas in the South. It becomes clear in the South African example that the global hegemonic order is a major influence on development policies of the South. In balancing the external and internal forces of influence in the making of economic and development policies in South Africa, the dominance of the external factor over the internal development agenda has been detected. A popular socialist type of development is being bypassed by neo-liberal economic tendencies in South Africa. To this end, claims within the Northern circles and the elitist structures continue to portray neo-liberalism as an effective recipe for development and the raising of living standards in the South. In fact, it was this strategic persuasiveness of the hegemonic

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order that contributed to the co-option of the ANC elite into neo-liberal economic thinking which, in turn, led to a formulation of GEAR.

Having ascertained that the neo-liberalist factor of the hegemonic order is indeed at work in South Africa, the following chapter analyses development and growth progress in this country. Economic growth and development progress over a five-year period following the implementation of GEAR, by comparison with similar trends in the pre-1996 period, will be analysed. Along with this analysis will be an assessment of the direction in which South Africa appears to be heading in the light of its current development levels and the accompanying internal pressures on the one hand, and the prevailing dictates of globalisation on the other. In this way, hopefully, it will be easier to come to a conclusion as to whether development as externally-defined is, in fact, addressing the actual requirements of the local population or is rather privileging the dominant global elite. This analysis will make it possible for this study to come to a conclusion and perhaps make some recommendations for the future of development in South Africa, and possibly for the South as a whole.

CHAPTER 3***'PEOPLE-BASED DEVELOPMENT' OR
'NEO-COLONIALISM' IN SOUTH AFRICA?*****1. INTRODUCTION**

The previous chapter has made it clear how the globalisation factor imposes neo-liberal dictates on the democratisation of the South, including South Africa. According to the previous chapter, the global hegemonic order that the sceptics criticise as reducing the sovereignty of individual states in determining their own developmental paths (Keohane, 1984: 41; Strange, 1988:25) is at work in South Africa. Having observed the interaction between internal and external forces behind the formulation of South Africa's macro-economic policy in the previous chapter, and having realised that South Africa, like other states of the South, is not at liberty to implement policies that are not in line with the expectations of the transnational capitalist order, foreign investors or the capitalist market system, the following chapter analyses South Africa's GEAR policy. While no attempt has been made to limit the causal factors of democratisation to either the external or the internal factor alone in the previous chapter, it has been made evident that the current global hegemonic order, though not the sole causal factor, is a predominant force behind South Africa's neo-liberal trends. As larger parts of South Africa's development and economic policies are externally prescribed, this chapter will ascertain how implementation of the GEAR policy has progressed. The aim is to ascertain the extent to which socio-economic development, as set out under the objectives of the RDP and GEAR, is progressing under a neo-liberal economic policy framework, given the development discrepancies between the North and the South and the fact that the policy is geared to serve the ends of polyarchy as promoted by the current hegemonic order.

While a Northern view would argue that the neo-liberalist trend is aimed at development and raising the standard of living in the South, on the opposite side of this debate stand Marxist, realist, and nationalist schools of thought that criticise the global political-economic hegemonic order as one that reduces the sovereignty of individual states (Keohane, 1984: 41; Strange, 1988:25). While the previous chapter has confirmed the presence of the latter trend in South Africa, this chapter seeks to ascertain the extent to which this trend is unfolding in South Africa. To this effect, the extent to which GEAR has or has not progressed in addressing the locally defined

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development needs of South Africa is being analysed. This will make it possible for a conclusion to be drawn on whether the unfolding neo-liberalist trend fits the label of "neo-colonialism".

Given the coherence between theoretical and practical evidence for these arguments in South Africa's neo-liberalisation process in the previous chapter, it is now clear that the world hegemonic order is at work in the democratisation process in South Africa, as it is elsewhere in the South. What remains to be answered in the following sections is whether the externally imposed policies of the hegemonic order are capable of addressing the development needs of the South. Moving from this background, the following section analyses GEAR (and its 5 year projections) and evaluates its progress in addressing both the RDP and its objectives in the period 1996-2000 in South Africa.

2. GEAR AND THE POLITICAL ECONOMY OF SOUTH AFRICA

The South African economy has been, and still is, based on the following pillars: mining (diminishing), agriculture, and industry (Cassim, in Suckling & White, 1988:10). While the traditional structure of the economy was based on mineral extraction by a large pool of unskilled industrial labour, major changes have taken, and still are taking, place in the political economy of post-apartheid South Africa. Political changes have paralleled a need to transform the economy in a way that would both redress imbalances of the past, while promoting a sustained economic growth (<http://www.polity.org.za/govdocs/policy/growth.html>).

The South African economy is classified by the World Bank as a 'developing' economy, and placed among the upper middle-income countries such as Argentina, Algeria, Brazil and South Korea (Cassim, in Suckling & White, 1988:1). In addition, and largely due to the legacy of apartheid, South Africa is among the states with the most unequal distribution of wealth. With a Gini-co-efficient¹ estimated at 0.59 in 1995, one of the highest in the world, only Brazil ranks most unequal than South Africa

¹ A Gini-co-efficient is the most popular indicator of income inequality that varies between 0 (perfect equality) and 1 (perfect inequality) (<http://www.isa.co.za/ResourceCentre/Default3.htm.12/18/2000>).

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(<http://www.isa.co.za/ResourceCentre/Default3.htm>). In fact, while economic growth rates had been estimated at between 5 and 7% during 1994-1995, the white per capita income rose by 43 %, as opposed to a mere 13% increase for Africans in the same period (Marais, 1998:170). Bearing this statistic in mind, it is clear that any attempt by the current democratic government to redress the socio-economic and political imbalances would be inadequate if it fails to attend to the economic disparities created by the old order in South Africa (ANC Strategy and Tactics, 1997:12-13). To do this effectively, South Africa needed an economic policy that would enable the state to follow its own unique developmental path, a path that would lead to a redress of the above-mentioned imbalances. Particularly if the ANC-led government, a supposedly "leftist" government (at least rhetorically), is to remain sensitive to the needs and aspirations of its electorate. A point debated over the years has been whether GEAR, as a neo-liberal economic policy, would reduce both poverty and inequality in South Africa (Marais, 1998:171).

The biggest challenge faced by South Africa (in its socio-economic development discourse) are the limitations imposed by the directives of the global economic order on its development options (Price-Waterhouse Publication, 1996:2). A paradox here is that while the state needs to increase its spending to deliver public goods such as water, houses, educational, law and order, primary health care, external pressures call for tight fiscal discipline (A better life for all, ANC election document, 1994:4).

A widely held view within Northern circles regarding this dilemma is that the liberalisation of the economy should attract foreign investments that would help fund delivery. As Paolo Fulci (1998), the President of the United Nations Economic and Social Council (ECOSOC) stated (in Grunberg and Khan, 2000:112), "*...no single international organisation or country, acting individually, with its own set of policy measures and its own interpretation of events, had any meaningful chance to help steer the world towards greater economic and social stability*": which means that development policies of developing countries (such as South Africa) should subscribe to the global political-economic order if socio-economic stability, according to this model of thinking, is to be attained. To put it differently, economic policies need to be

CHAPTER 3***'PEOPLE-BASED DEVELOPMENT' OR
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approved by the international regimes if they are to attract any support from the global institutions (Grunberg and Khan, 2000:112). In response to this prevailing school of thought, the South African government was forced to look beyond internal politics, and to embrace the global dynamics in planning its macro-economic policy. This decision can be seen as the triumph of external forces over domestic pressures in policy making.

What this has meant then, is that South Africa had to formulate a paradoxical economic policy in 1996, a policy that is self-contradictory in its terms. Contradictory in that while it seeks to deliver public goods in an attempt to redress the imbalances of the past, an undertaking which requires an extension of government spending to fund these projects, the policy also seeks to comply with the directives of the Washington consensus. The latter requires tight fiscal discipline, a liberalised economy and unrestricted capital and money markets, but provides no targets for inequality reduction except by viewing job creation as an important prerequisite for income redistribution (Marais, 1998:171). South Africa's socio-economic development progress is discussed under the analysis of its macro-economic policy below.

2.1 GEAR Projections: 1996-2000

Common sense indicates that redressing the imbalances of the past may not be possible without increasing government spending, at least in the short run. It seems paradoxical, however, to note that in its macro-economic policy the SA government hopes to deliver public goods while cutting on government spending at the same time. It is indeed difficult to reconcile the core elements of GEAR as discussed below, with the government's commitment to deliver the above-mentioned developmental projects. As an illustration, GEAR projections as published by the Minister of Finance in July 1996 are displayed in Table 1 below.

CHAPTER 3***‘PEOPLE-BASED DEVELOPMENT’ OR
‘NEO-COLONIALISM’ IN SOUTH AFRICA?*****Table 1: Base Scenario Projections: 1996-2000**

Model characteristics	1996	1997	1998	1999	2000	Average
Fiscal deficit (% of GDP) (fiscal year)	5.1	4.5	4.0	3.5	3.0	4.0
Real government consumption (% of GDP)	19.8	19.5	19.1	18.6	18.1	19.0
Average tariff (% of imports)	10.0	9.0	9.0	8.0	8.0	8.8
Average real wage growth, private sector	0.8	1.5	1.7	1.3	1.4	1.4
Average real wage growth, government sector	4.8	0.4	0.4	0.3	0.0	1.2
Real effective exchange rate (% change)	-9.6	0.7	0.1	0.1	0.0	-1.8
Real bank rate	7.0	6.0	5.0	4.5	3.7	5.2
Real government investment growth	2.6	2.4	2.2	2.2	2.4	2.4
Real parastatal investment growth	3.0	2.5	2.5	2.5	3.0	2.7
Real private investment growth	6.3	4.2	4.4	5.8	7.1	5.6
Real non-gold export growth	9.6	7.5	6.4	5.5	5.3	6.9
Results	1996	1997	1998	1999	2000	Average
GDP growth	3.3	2.0	2.5	2.9	3.3	2.8
Inflation (CPI)	8.4	10.9	9.6	9.3	9.1	9.5
Employment growth (non-agricultural formal)	0.9	1.0	0.8	0.9	1.3	1.0
New jobs per year ('000)	97	101	84	103	134	104
Current account deficit (% of GDP)	1.8	1.3	1.1	1.1	1.6	1.4
Real export growth, manufacturing	12.5	10.4	7.5	6.6	5.4	8.5
Gross private savings (% of GDP)	20.5	20.7	20.8	20.8	20.6	20.7
Government dissavings (% of GDP)	3.1	2.6	2.0	1.4	0.9	2.0

Source: <http://www.polity.org.za/govdocs/policy/growth.html>

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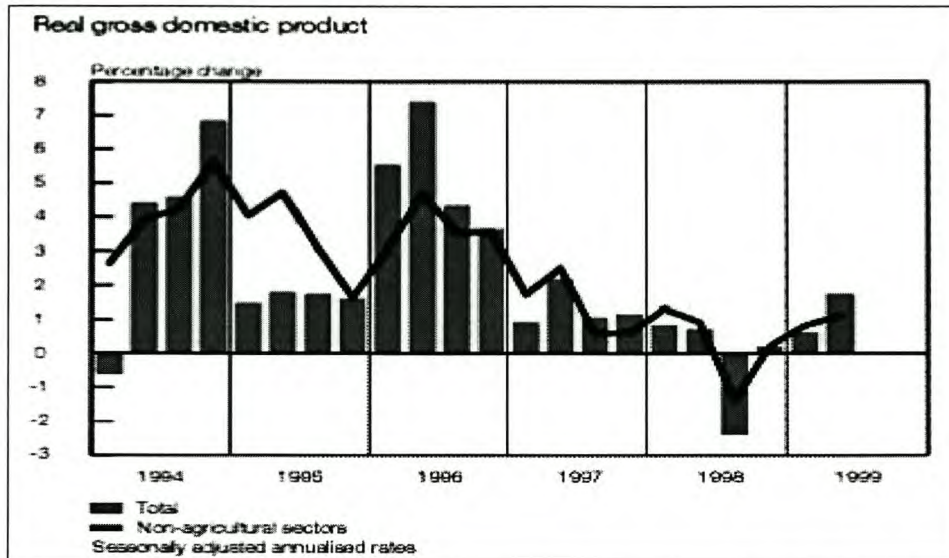
Data in Table 1 displays the projections of a required economic growth rate, fiscal deficit reduction, and a rate at which the economy should liberalise. The government had aimed at reducing its fiscal deficit by 0.5% per annum, from 5.1% of the GDP in or prior to 1996, to 4.5% in 1997, and to 4.0% in 1998, until the lowest rate of 3.0% was reached in the year 2000. The GDP on the other hand was projected to first show a negative growth of -0.8% (ie from 3.3 to 2.0 %) in the fiscal year 1996-1997, before growing by 0.5% (to 2.5 %) in 1998, and thereafter, a modest growth of 0.4% (to 2.9%) in 1999, and 2000 (to 3.3%). The inflation rate was expected to fluctuate between 0.5% and 1.0% ie between 8.4% and 10.9% in 1996/7, and start declining to 9.6% in 1998, down to 9.3% in 1999 and 9.1% in the year 2000. Employment was projected to grow at an average rate of 1.3% per annum by the year 2000, while more than 400 000 new jobs were to have been created by the year 2000 (i.e. 97 000 in 1996, 101 000 in 1997, 84 000 in 1998, 103 000 in 1999, and 134 000 in 1999). As Table 1 indicates, these base scenario projections are modest enough to be realistic growth targets for an internationally accredited policy such as GEAR to achieve, especially if there is any validity in the claims for a positive correlation between a country's extreme liberalisation initiatives, employment generating FDIs, the actual rate of employment, and a positive economic growth.

The following section analyses the actual performance of the economy to evaluate the validity of this claim.

2.2 GEAR Projections (1996-2000) vs. Actual Development and Growth Rates

This section begins with an analysis of economic growth as measured by GDP in a given period. While the GDP was projected to grow at a rate 2.9% p.a. in 1999 (Table 1), Table 2 displays the actual growth rate of 1.5% in the second quarter of 1999, indicating that the economy failed by more than 1% to meet projected growth.

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Source: SA Reserve Bank Quarterly Bulletin, 1999 No.213

The irony of the data in Table 2 is the sharp increase in GDP growth from -0.5% early in 1994, to the highest rate of approximately 6% towards the end of the fourth quarter of the same year, and a sudden sharp decline at the close of the fourth quarter until it reaches a fluctuating rate of less than 2% during the fiscal year 1995. The growth rate of the GDP began accelerating towards the end of 1995 (before GEAR), continuing until the end of the second quarter of 1996 (exactly when GEAR was being implemented) and began to decline at an accelerating rate in the last quarter, and throughout 1997 until the lowest rate of -2.5% was reached in the middle of 1998. Given that this sharp decline in GDP growth coincided with the time of the Asian and global financial crises which had a negative impact in South Africa, and most emerging markets worldwide, it is not possible to distinguish how much the soundness or unsoundness of GEAR, as opposed to the external economic factors, or what combination thereof, had contributed to this performance. Perhaps the soundness of GEAR or the lack thereof, can be evaluated in terms of the post-Asian contagion performance of the SA economy. In this respect, Table 3 indicates an improvement in GDP growth towards the end of 1998 and in early 1999.

CHAPTER 3**'PEOPLE-BASED DEVELOPMENT' OR
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	1999					2000		
	1st qr	2 nd qr	3rd qr	4th qr	Year	1st qr	2nd qr	3rd qr
Primary sectors	2½	1	1½	2½	½	-5	1	8
Agriculture	6½	2½	4½	6½	3½	-8½	7½	24
Non-agricultural sectors	2	3	3½	4½	2	2½	2½	3
Mining	0	0	-1	0	-1	-3	-3½	-2½
Secondary sectors	-1	½	4	5½	-½	2	2	3½
Manufacturing	0	½	4½	6	0	2½	2	3½
Tertiary sectors	4	4½	4	4	3½	3	3½	3½
Total	2	2½	3½	4	2	2	3	4

Source: SA Reserve Bank Quarterly Bulletin, 2000 No. 218

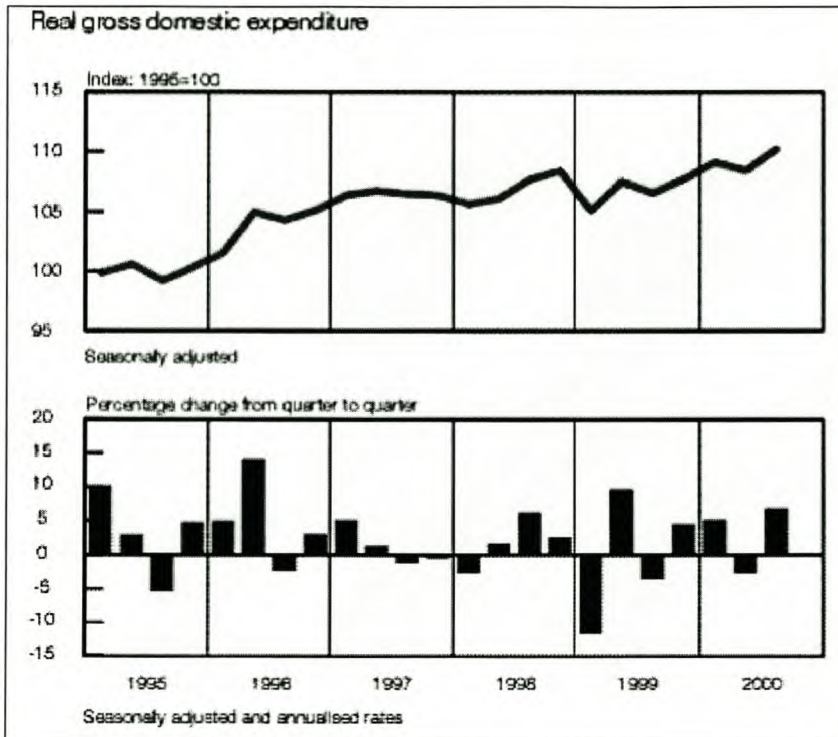
As indicated in Table 3, the end of the Asian contagion in the last quarter of 1998 coincided with an improvement in GDP growth rate, and consistent growth at the end of 1998, in the first quarter of 1999 and throughout the year 2000. This trend, indicates that the nature of GEAR may not have been the cause of the decline in GDP growth in 1997/8. The danger with this conclusion, however, is that it dichotomises the causal influences into either completely external or completely GEAR, and ignores a possible combination of the two. Even if such a consideration was made, a blueprint conclusion on the actual determinants of economic performance in this period would lack information on the extent to which the Asian contagion and not the actual soundness or unsoundness of GEAR, or vice versa, might have contributed to a decline in 1997/8. On the basis of a consistent increase in GDP growth rate in the post-Asian contagion period, certain commentators may even view such growth as a positive reflection on the effectiveness of GEAR in responding to crisis situations, and in creating a positive

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growth rate in GDP under normal economic conditions. While it would be naive to dispute such an argument in the absence of conclusive negating evidence, and in the presence of the statistics in Table 3, such a conclusion would remain premature, given the fact that the GDP is not the only indicator of economic performance. For purposes of this study, factors such as employment creating FDI, employment rate, government spending on social services, and the rate of inflation, in addition to the GDP growth rate, are the most useful indicators of economic performance with which GEAR can be evaluated. In this regard, GDP appreciation over this period was achieved, along with massive cuts in real gross domestic expenditure (see GDE data in Table 4), which implies cuts in service delivery and, ultimately, in development funding.

It should be noted that the aim of this chapter is to understand how growth or lack of it, as per GEAR objectives, contributes to *'people-based development'* as defined in terms of the main priorities of the RDP (i.e. meeting basic needs such as job creation, addressing land issues, housing, water, electricity, nutrition, health care and social welfare, etc). This information is crucial in answering the main question of this study, i.e. whether the current wave of democratisation, along with its neo-liberal tendency, does in fact lead to *people-based development* in the countries of the South. This question is an attempt to balance two sides of the current debate on neo-liberalism and development. The following table, Table 4, displays the rate at which the gross domestic expenditure has fluctuated along with the GDP growth rate.

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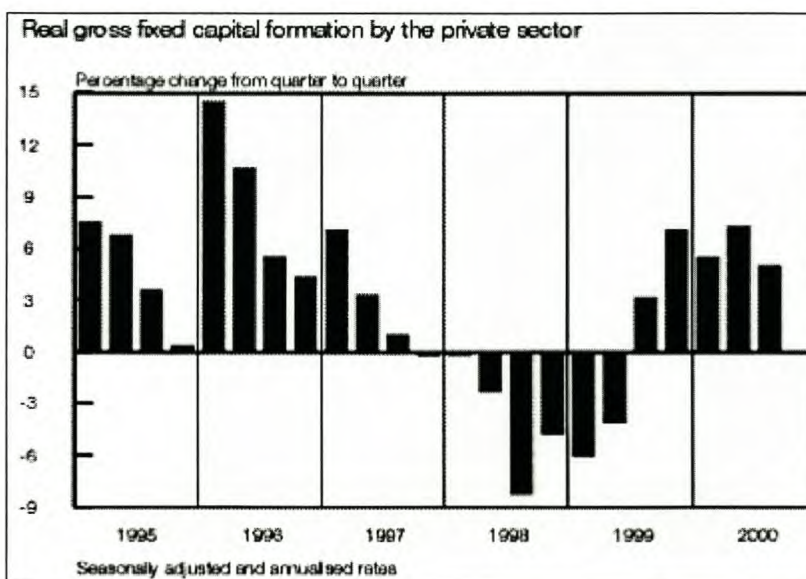
Source: SA Reserve Bank Quarterly Bulletin, 2000 No. 218

The larger part of 1997 and 1998 was characterised by massive fiscal controls (as prescribed by the neo-liberalist order), together with an accelerated decrease in GDE, to the lowest percentage rate of -11% during the first quarter of 1999. This GDE (including government spending) indicates that a country's economy, under an economic policy such as GEAR, is forced to respond to the pressure of external events more than it does to internal needs. It is therefore clear, given that the fiscal controls coincided with the 1997/98 Asian contagion², that they were governmental policy (GEAR's) reaction to this external factor.

² The Asian crisis began in Thailand and rapidly spread over to Indonesia, Korea, Malaysia and the Philippines in 1997-1998, with the spillover effects spreading throughout the emerging markets. The crisis, referred to as 'the contagion', due to spill over effect on other economies, was caused by financial market failures which, according to Javad Shirazi (1998) of the World Bank (East Asia Pacific region), resulted from disproportionate rising current account deficits in relation to GDPs, and sharp growing, unhedged private external borrowings, leading to exchange rates and maturity mismatches in these financial markets. This led to a negative investor confidence on emerging markets (including South Africa), resulting in massive capital flights. The stagnation of investments in this period, caused economic difficulties, and forced affected governments, the World Bank and the IMF to resort to crisis-management measures (Shirazi, 1998, www.worldbank.org/html/extdr/offrep/eap/jkssp061098.htm/3/27/2001).

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In fact, a motivation behind implementing a policy such as GEAR is that it should enable the local market to attract more employment-creating FDIs (www.ligstrders.bizland.com/roca/97apr.htm, 12/12/2000). At first sight, one would have expected increased FDI in South Africa after 1996, given the government's compliance with external directives under its extremely liberal GEAR economic policy. The interesting statistic in the following table, Table 5, is that FDIs were below 1% at the end of 1995, and rose to 15% at the beginning of 1996 when it started declining at an increasing rate at the start of the second, during the third and fourth quarters (on the first implementation of GEAR) of the same year, and long before the Asian contagion. Clearly, incoming FDIs were not responding positively to the implementation of GEAR in 1996. This trend suggests that investments are attracted to a country by its strategic position for the furthering of capitalist interests, rather than a mere compliance with the neo-liberalist democratic order. Continued investment by world multinational corporations in the People's Republic of China, despite its resistance to abandoning its undemocratic government system substantiates this argument (www.feer.com/_0008_24/p57.html, 11/05/2000). For international investors, accessing a larger market is of more importance than China's political system.

Table 5: Employment Creating Investments, 1995-2000

Source: SA Reserve Bank Quarterly Bulletin, 2000 No. 218

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While FDI continued to fall to a rate of less than 2% in 1995 (see Table 5), it grew to the highest rate of 14% early in 1996 before declining at an accelerating rate after the implementation of GEAR and throughout the rest of the year. The Asian contagion did not help the situation, as investment growth dipped into negative figures in 1997, with the worse growth rate falling to -8% in the middle of 1998. FDI began to grow again at the end of 1999, reaching positive figures for the first time in a period of more than a year (3% and 7% respectively) during the final quarter of 1999. FDI continued to grow at a positive rate, fluctuating between 5% and 7% in first three quarters of the year 2000 (see Table 5), thereby matching the GEAR projection of 7.1% in Table 1. As it will be evident in Table 7 below, the impact of this rate of growth in FDI on people development remains questionable, as it did not result in an equivalent rate of growth in employment. Table 6 below portrays the inflation fluctuation over the period 1994-2000.

Table 6: CPI Based Inflation Rate (1994-2000)



Source: SA Reserve Bank Quarterly Bulletin, 2000 No. 218

Table 6 indicates a similar pattern of economic recovery as the rate of inflation began to fall sharply at the end of 1998 and for most of 1999. Although it rose earlier in the year 2000, CPIX inflation, according to this data, has fallen from a rate of 9.2% in the

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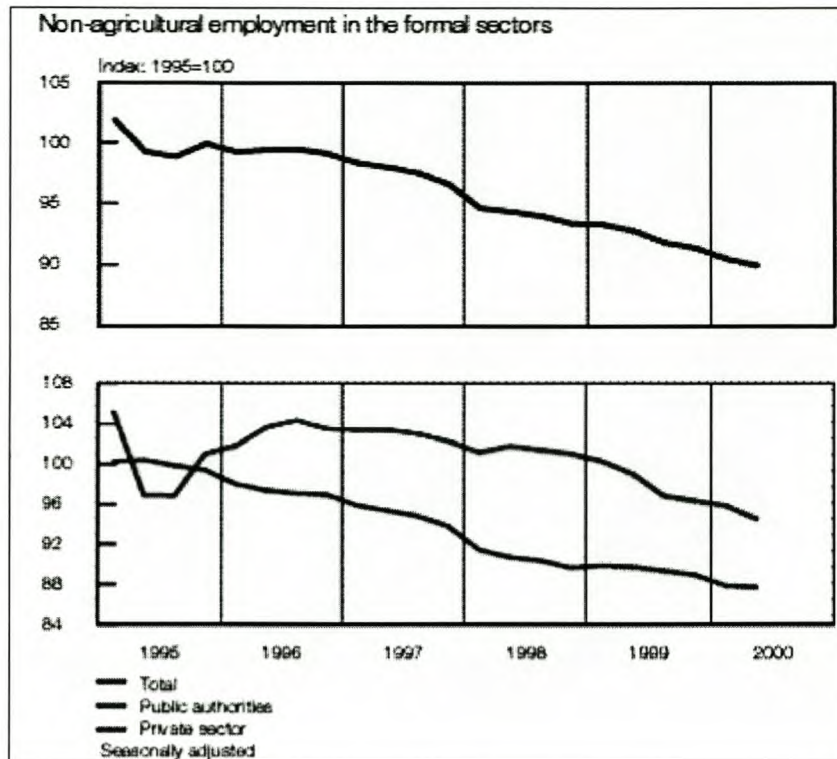
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second quarter of 2000 to 7.6% in the third quarter (SA Reserve Bank Quarterly Bulletin, 2000, No. 218). In addition, the annualised quarter-to-quarter change in the all-goods production price index shrunk from 11.7% in the first quarter of 2000 to 7.3% in the third quarter (see Table 6). Headline inflation, or changes in the overall consumer price index for metropolitan areas only, also slowed from a quarter-to-quarter seasonally adjusted and annualised rate of 10.9% in the second quarter of 2000 to 5.7% in the third quarter (www.resbank.co.za/Economics/QbulDec00/domes.html#1.12/19/2000). Given the projections of GEAR as shown in Table 1 (ie inflation targeted to fall to 9.1% per annum by the year 2000), the rate of 7.3% is an impressive performance on the part of GEAR in this area.

The data in this and the previous tables indicate a sharp rise in inflation rate, a decline in incoming FDI and in economic growth as shown by GDP percentages in the period 1995-1998. There is however, a sudden recovery of these factors thereafter, which is an indication of economic performance, the development that raises expectation on employment rate in similar periods.

The crucial point at this juncture is a negative reaction of employment rate to a sudden growth, both in GDP rate and in the incoming FDI at the end of 1998, the beginning of 1999 and in the year 2000.

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Source: SA Reserve Bank Quarterly Bulletin, 2000 No. 218

GEAR projections in Table 1 had estimated a 1.3% annual growth rate in non-agricultural employment by the year 2000. On the contrary, the employment rate in this sector had been in constant and continuous decline since 1995, and did not recover like the GDP and FDI at the end the emerging markets crisis (Asian contagion) and in 1999 and 2000. Employment numbers in the *formal private non-agricultural sectors* fell on average by 2.2% when comparing the first half of the year 2000 with the first half of 1999. The decline in private-sector employment numbers was swelled by job losses at all levels of the public sector (<http://www.resbank.co.za/Economics/QbulDec00/domes.html#1.12/19/2000>).

On average, employment in the public sector fell by 4.5% when comparing the first half of 2000 with the first half of 1999. The decline in employment numbers occurred at all levels of the public sector, but was most pronounced in the transport, storage and communication services sector, followed by provincial governments and national

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government departments. Comparing this statistic with data in Tables 2, 3, 5 and 6, the trend is clear. That is, while GEAR had managed to revive growth in GDP and FDI, and succeeded in combating inflation (Table 6) in the later part of 1998 as well as in 1999 and 2000, its formula has not led to employment creation. While massive job losses are reported in the public sector over this period, it should be noted that GEAR data had projected that an average real wage growth rate in the government sector would be reduced from 4.8% in 1996, to 0.0% in the year 2000. The implication here is that the notion of fiscal discipline and the reduction of GDE in GEAR terms includes a long-term strategy to reduce employment. This scenario is in contradiction with the RDP's employment creation objective, and the ANC's very own 'better life for all' slogan. What can be deduced from this trend is that economic growth and development in practical GEAR terms (rather than in its positive theoretical terms) does not necessarily imply growth development through a reduction of unemployment.

Associating this statistic with data in Table 4 (tight fiscal discipline), it is difficult to envisage a situation of an increase in welfare spending and in other development projects by the government. GEAR's priority in this respect is to reduce government spending. The implication is clear in this case, that while economic growth, as a priority of GEAR, is attainable, it does not equate to '*people-based development*', at least with unemployment as an indicator.

Referring to the 1995 GDP growth rate that excluded any growth in employment, the President of COSATU, John Gomomo, made it is clear in his criticism of GEAR proposals that "*[n]arrow economic growth based purely on percentages of GDP increase is not what 'we', as workers are interested in. The fact that there was 3.5% growth in the economy in South Africa in 1995 has not made the slightest impact on the lives of the unemployed, the homeless and those faced with poverty. The beneficiaries are a few shareholders. The facts are that very few jobs were created, and very few jobs are created now.*" (Gomomo, 1996:2, www.cosatu.org.za/speeches/1996/jgommo.html.12/13/2000). Given a consistent failure by GEAR to generate employment-creating growth, and in the light of the above disappointing statistics on the

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employment growth rate, the above sentiments of COSATU in 1996 may not have lost their validity in the year 2000.

As it is evident that the notion of development, and the process of making it effective in the South, remains controversial, the following section proceeds to analyse the new phenomenon of '*trade related development*' in so far as it relates to '*people-based development*' in South Africa.

3. TRADE RELATED AID AND 'PEOPLE-BASED DEVELOPMENT' IN SOUTH AFRICA

The precedent set by the hegemon state, the U.S., through the Africa Growth and Opportunity Act (AGOA) in the core-periphery relations broadened the concept of development to include trade. Included in this is a lesson for the rest of the *core*: the manipulation of the rules in enforcing trade partnerships with unequal partner(s). Manipulation in the sense that the AGOA is a shift away from a conventional concept of aid by the U.S., to a new *trade related* concept of development. In the name of "development", the U.S. is creating a trading partnership (on its own terms) with its unequal partners through this initiative. The AGOA, according to Pedersen (2000:2), imposes harsh conditionalities that would be devastating to Africa. It does not mention the debt crisis, labour or environmental protections, and also fails to encourage local development within Africa. In short, the US approach is not mutually beneficial for Africa and the US. Instead, it seeks to privilege the interests of the U.S. and transnational capital. (www.africapolicy.org/docs97/eco9708.html.12.12.2000).

The new move was clear sign to the rest of the *core*, and they would begin to emulate the U.S. in their new dealings with the *periphery* under the neo-liberalist discourse. The EU-SA Trade, Development, and Co-operation Agreement (and its negotiation process), as a clear example, is the subject of analysis in this section.

Out of self-interest, the EU-SA negotiations were initiated by the European Union shortly after South Africa's transition to a democratic political order in 1994 (Davies, in Bertelsmann-Scott, *et al.* 2000:5). From the EU perspective, this initiative was motivated by an understanding of South Africa's economic significance in the SADC

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region, and its strategic position as a gateway to broader African markets (Davies, in Bertelsmann-Scott, *et al.* 2000:7).

In pursuit of its economic interests in Sub-Saharan Africa, and in view of South Africa's strategic position in this respect, the EU made a proposal for the formation of a Free Trade Agreement with South Africa on the following EU terms:

- EU negotiators were instructed to secure a reciprocal FTA that had to exclude a long list of about 46% of South Africa's exports to the EU (the area where the EU has competitive disadvantage compared to South Africa).
- At the same time, in order for the FTA to comply with WTO requirements, it should cover 90% of all trade (the area of the EU's competitive advantage over South Africa, *inter alia*).
- That the EU should be allowed free access to South Africa's fishing waters; and (*inter alia*).
- That South Africa had to remove duties on more than 36% of its existing EU imports while the EU offered to remove only 7% of duties on South African goods entering its markets.

(Davies, in Bertelsmann-Scott, *et al.* 2000:7-8).

South Africa resisted these proposals on the basis that they were one sided, and instead, made its own counter proposals, including the insisting on SA's accession to the Lomé Convention³ so as to qualify for the privileges associated with this status in EU markets. In addition, South Africa continued to bargain for increased access for agricultural goods to EU markets, the inclusion of a development and co-operation factor in the agreement, and the protection of the interests of its Customs Union

³ The fourth ACP-EEC Convention signed in the city of Lomé, Togo, on 15 December of 1989, was a special partnership, characterised by non-reciprocal trade benefits for ACP countries. This included unlimited entry to the EC (now EU) market for 99% of industrial goods and other products, especially for the least developed countries (LDCs). An additional feature of the accord is a dialogue and joint administration of its content by the ACP and the EC (EU) (http://europa.eu.int/comm/development/cotonou/lome_history_en.htm. 3/29/2001). As South Africa was considered a developed country by the WorldBank, and not a developing country, it was excluded but requested this Lomé status in the EU-SA TDC negotiations (www.oneworld.org/eurostep/htm.3/29/2001).

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(SACU) members (BLNS countries)⁴ against unfair competition with the EU. Due to South Africa's resistance and the EU's counter-proposals, the negotiations stretched into approximately four years until the EU-SA TDCA could be signed in 1999.

3.1 The Signing of the EU-SA TDCA

After a series of negotiations a final free trade, development and co-operation agreement was signed between SA and the EU in 1999, with effect from January 2000 (Phaswana, in Bertelsmann-Scott, *et al*, 2000). Part of the EU concessions was to allow South Africa a partial accession into the political institutions of Lomé, as early as 1995 (European Commission, 1999:24). With many concessions and compromises for both sides, the Trade Development and Cooperation Agreement (TDCA) managed to cover five major areas ranging from the general objectives and principles, tariffs and other measures applicable to goods traded between SA and EU, agreement on trade related issues, to economic co-operation and development. On the tariff aspect, the agreement commits both parties to tariff reductions based on the rates from 1 July 1996 rather than bound tariff rates. It allows South Africa an implementation period of twelve years as opposed to a ten year period for the EU (Davies, in Bertelsmann-Scott, *et al*, 2000:8).

The EU was also forced to reduce the percentage of excluded agricultural goods from South Africa entering its markets, from 46% to 26% in the final agreement. Agreement on development co-operation sets out to provide support for the adjustment efforts required by SACU under the EU-SA TDCA. The agreement also included an EU commitment to continued development assistance to South Africa.

There are crucial points to be noted in this agreement. Firstly, that in view of the EU's initial proposal for a free trade agreement with an unequal partner under one-sided conditions, an arrangement which resembles America's AGOA conditionalities, it is evident that the North is shifting away from the traditional concept of aid, and is moving towards a new and a more self-serving *aid-trade* concept of development. In

⁴ The BLNS countries (Botswana, Lesotho, Namibia, and Swaziland) share a common tariff with South Africa through the Southern African Customs Union (SACU), and the agreement would oblige them to enter into a *de facto* free trade agreement with the EU (www.oneworld.org/eurostep/eusouth.htm.3/29/2001).

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this process the 'hegemonic order' still defines the rules of trade with its unequal partners to suit its interests. Despite this fact, the inclusion of a development aspect in the EU-SA TDCA was a useful bit of bargaining by South Africa. It has to be noted, however, that the EU-SA TDCA is still very new at the time of writing, and its impact can only be evaluated over time.

4. CONCLUDING REMARKS

Moving from the general thesis that defined the formulation process of South Africa's macro-economic policy in the previous chapter, indicating that GEAR was constructed in a manner that privileges external interests more than internal social development, this chapter has sought to ascertain who are the predominant beneficiaries of GEAR. In this process, the objectives and projections of GEAR have been discussed and found to be self-contradictory. Contradictory in the sense that GEAR seeks to move along one path to arrive at two opposite destinations. For example, GEAR was set to achieve a sustainable economic growth, lower inflation and reduced fiscal deficits on the one hand, and to achieve the RDP developmental objectives, requiring additional government spending on the other hand. Lowering the fiscal deficit through tight fiscal measures and accelerating the delivery of public goods are contradictory objectives. While a redress of development discrepancies (i.e. providing social-welfare, health, education, clean water, electricity, transport and housing) would increase government expenditure, GEAR's fiscal stance prohibits such spending. In practical terms, and in the light of limited resources, it is not feasible for GEAR to achieve both contradictory objectives in an equally convincing fashion.

A realistic expectation is that GEAR would only achieve a limited set of objectives between these two opposing extremes in a certain space of time. Given the shift of focus by policy makers away from an internally defined agenda in favour of external impositions during the formulation of this economic policy, common sense would indicate that GEAR, constructed in this manner, would prioritise capitalist interests over 'people-based development'.

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To determine the ANC's priorities, the actual performance of GEAR since its implementation in 1996 has been analysed in this chapter. It became evident in this analysis that economic growth and development in terms of GEAR does not lead to *'people-based development'*. In other words, GEAR's version of economic growth fails to address developmental issues such as employment creation and adequate public service delivery, as projected by both GEAR itself, and in the RDP document. While the economy continues to grow, the rich are getting richer whilst the poor are becoming even poorer. Instead of a redress of socio-economic, racial and class inequalities, a new minority black middle class is emerging, along with a widening gap between the rich and the poor. Clearly, the beneficiary under this *modus operandi* is the transnational elite, as it functions within both the local and international apparatuses. Along with this element, according to Robinson (1996:633) are *"the reorganised local state apparatuses that function as 'transmission belts' for transnational interests"* rather than those of the underprivileged polity whose standards of living neo-liberalism had claimed to be uplifting and developing. It has become evident in this chapter that the cries against neo-colonialism, at least in South Africa's neo-liberalisation process, are not unfounded. Despite this evidence, no attempt has been made in this chapter to relegate domestic factors to a state of "no influence": instead, it is concluded in this chapter that there is a struggle between internal and external forces in shaping the country's economic policy. The ends of these opposing forces are contradictory. The external factor in this battle, according to factors that shaped GEAR's formulation process, has the upper hand. In other words, there were more considerations for the benefit of the global economy in GEAR's formulation process than there were for local socio-economic development. As a result, GEAR's development process favours the interests of the transnational capital system more than the distributive aims of the RDP. With this mystery having completely unfolded, the following chapter will serve to summarise, conclude the study, and make recommendations.

CHAPTER 4**SUMMARY, CONCLUSION
AND RECOMMENDATIONS****1. SUMMARY**

The aim of this study has been to describe and explain the causal relationship between globalisation and the process of democratisation and development in South Africa. Understanding this process required an analysis of the political and economic patterns followed, and policy choices made by public policy makers in South Africa, and, for comparative reasons, in other countries that are integrating into the global political economy. While reference to countries such as Zambia, Mozambique and other countries of the South have been made in this respect, the size, timeframe and magnitude of this study, limited the units of analysis to only one country. South Africa was selected as the main unit of analysis, on the basis of its economic significance in SACU and the SADC region, the fact that it is among the most recent countries to democratise, and that it has had the most relevant and informative engagements with external structures in the recent past.

While chapter one served to introduce the study and its methodology, the notion of globalisation, neo-liberalism and aid policies of the North towards the South were described and explained in the first two chapters. What became apparent in chapter two is that globalisation, both as a concept and a process, is a political and economic construct defined and driven by the Northern forces under the hegemony of the U.S. Secondly, that the rules governing the *core-periphery* relations are constructed from the *core* and then imposed on the *periphery*. This became evident in the U.S. democracy promotion initiative that began in 1991, and its emulation by countries such as the UK and France as well as the IFIs, in a short time frame. Clearly, the motive behind the democratisation and liberalisation drive of the North, along with its conditions for development aid, all under the guise of people development, is the promotion and the privileging of the transnational capitalist interests. In this respect, the true colours of democracy promotion have been exposed as the promotion of '*polyarchy*' in the neo-Gramscian sense. Evidently, the trend seeks to empower local elites who in turn develop the local markets for the benefit of their transnational counterparts. Included in this class are the reorganised local state apparatuses that function as 'transmission belts' for the furthering of transnational capital interests. The securing of economic

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interests of donor countries takes precedence over social development in the South, and South Africa proved to be no exception to this rule. The main focus of chapter 2 was to analyse the balance of internal and external forces in an agenda-formulation process for the economic and development policy of South Africa. While it was demonstrated in that chapter that internal democratic forces in South Africa were, and have always been, capable of defining their own political-economic and development agenda, it appeared that definitional capabilities alone are not enough to translate ideas into policies. It is the coercive and co-optive power of the current hegemonic order that determines the final ideological beliefs of policy makers, and hence, the nature of policies themselves. In this respect, it became evident in the South African example that the transnational elite element has a major causal effect on the development policies of the South. In balancing the external and internal forces behind economic and development policy-making in South Africa, the dominance of the external factor over the internal agenda has been detected and exposed. It is this trend that has become a characteristic of the North-South relations of modern days.

While this evidence stands, justifying arguments within the Northern circles that the current liberalisation and democratisation wave is an effective recipe for development and the raising of living standards in the South continue to dominate the North-South debate.

In view of this debate, and in particular the claim by the North that it is such liberalist oriented policies that can effectively address growth and development problems of the South, it became logical for the findings of chapter 2 to be put to the test. First, the progress of South Africa's liberal micro-economic policy (GEAR) in creating sustainable economic growth is analysed. Secondly, the link between this growth and the locally defined notion of 'people-based development' over a five year period is analysed in Chapter 3. Chapter 3 has been revealing in many ways in this respect. Firstly, while GEAR had clearly been exposed as an externally driven policy, it is still portrayed by the ANC elite as a vehicle to reconstruction and development. A contradiction has been detected: while a redress of development discrepancies (i.e. providing social welfare, health, education, clean water, electricity, transport and

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housing) would increase government expenditure, the contradiction is that GEAR's fiscal stance prohibits such spending. In practical terms, and in light of limited resources, it is not feasible for GEAR to achieve the contradictory objectives in an equally convincing fashion.

A realistic expectation here is that GEAR would only achieve one set of objectives from one of the opposing extremes. Given the shift of loyalty away from the internally-defined agenda in favour of the external impositions by policy makers during the formulation of this policy, the pattern in which events unfolded indicate that GEAR prioritises the capitalist interests over social development. While the co-optive nature of the current hegemonic order appears to be the main culprit in this respect, together with massive fiscal deficits from the apartheid order, the willingness of the ruling elite to subscribe to the global hegemonic order should cause the majority of the disadvantaged polity to question the sincerity of intent to deliver public goods by the predominant proponents of GEAR, the ANC elite.

Mesmerised by the unfolding of this fiasco, the actual performance of GEAR since its implementation in 1996 was analysed in the previous chapter. It became evident in this analysis that economic growth and development in terms of GEAR do not lead to social development as laid out in the RDP document. In this regard, it is clear that complaints against "*neo-colonialism*" in the South are not, after all, unfounded.

It is on the bases of these findings that the following conclusion is made in this study.

2. CONCLUSION

What has been evident in this study is that while neo-colonialist forces have divided the world into developed and underdeveloped states, the notion of globalisation seeks to perpetuate the *status quo* in the global political-economic discourse. Taking advantage of development discrepancies, the North seeks to further its economic interests by creating questionable development agendas that restrict the internally defined projects of developing states in favour of the local and transnational elite's capitalist interests. In describing this trend, Graf (1996:40) asserts that democratisation, in the new discourse, holds out the prospect of 'developing' without having to undertake urgently needed social reforms or deal with the central issues of redistribution and social justice-reforms

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that would jeopardise the structure of local elite domination and the processes of transnational elite collaboration.

Analysis of GEAR as a development policy in South Africa has been revealing in this respect. The issue at stake here is '*people-based development*', which, as this study has revealed, suffers massive abuse under the current global arrangements. Whilst the underdeveloped countries in Sub-Saharan Africa continue to struggle with foreign debt pressures, they are subjected to structural adjustments and other development aid conditionalities that are externally, rather than internally, focused. The pressure for underdeveloped states to comply with the external global demands disempowers these countries to determine their own development paths. The result is that the local development agenda is sabotaged, the poor remain poor and the elite become richer. Instead of limiting the analysis to the South African case which is but one element in a general global trend, of significance here is a recognition that there is a serious problem in the current world development system.

External aid conditionalities (democratisation, free and fair elections and good governance, *inter alia*) are clearly not only for the benefit of the inhabitants of a developing country, but also serve to make foreign investors feel that their investments are safe. The new trade-related aid arrangements, the type of arrangements that seek to forge the trading rules between unequal partners for the hegemon to exploit the natural resources of developing states, deserve more critical analysis than what it is receiving at this stage. Motivations for the democratisation and liberalisation drive need to be revisited, questioned and challenged through formal structures that represent the developing world. In this respect, entities such as UNCTAD, and regional structures such as SADC, ASEAN, and MECOSUR, among others, should play an active role in influencing the global political economic discourse. The problem in this respect however, remains the co-optive and coercive nature of the hegemonic order and its influence on the ruling elite of the South. Through consensual mechanisms of transnational control, the hegemonic order seems to be operating from within the South. Through polyarchal tendencies, the trend further relegates the local polity into the mere toothless subjects of a class-conscious, transnational, political-economic

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superstructure. The loss of sovereignty by the Southern states, and the relegation of the polity in this way, dictates that local development needs do not offend the transnational capitalist “superstructure”. Development in these terms, as seen in the South African case, remains problematic and requires a revised version of the North-South development relations. In this regard, Japan, among other external donors, appears to be a promising development partner with the South (Mori, January 2001, www.mofa.go.jp/region/africa/pmv0101/pmspeech). Although not perfect, and perhaps not entirely without capitalist interests, the Japanese foreign policy on development (in Africa) is an example for the North in more ways than one: i.e., while the developing world is losing its decision-making sovereignty in their relations with many Western states, Japan seeks to encourage the developing world to take initiative in defining its development issues, and undertakes to collaborate with them in addressing those issues. The Japanese development policy towards the developing world was clarified by Prime Minister Mori on his visit to South Africa in January 2001. In his policy speech on Japan's basic philosophy regarding co-operation with Africa, Prime Minister Mori conveyed the message that Japan will develop new Japan-Africa relations based on future co-operation with Africa and extensive bilateral exchange, with support for development assistance and conflict prevention/refugee aid as though they were ‘*two wheels of a cart*’. In addition, Prime Minister Mori reconveyed Japan's basic stance of attaching importance to dialogue with developing countries in tackling challenges faced by the international community through the continuation of dialogues with the leaders of African nations. This model of interstate relations between Africa and Japan was initiated by Prime Minister Mori during the G8 Kyushu-Okinawa Summit in July 2000, and the United Nations Millennium Summit in September 2000 (Mori, January 2001, www.mofa.go.jp/region/africa/pmv0101/pmspeech).

While the Japanese initiative may be criticised as also being linked to the ruling elites of the receiving states, this initiative, though not perfect, is useful in that it adopts a partnership approach to development with the developing world. The second advantage is that development aid is not only channelled through states’ apparatuses, but also through independent NGOs for a direct transmission to the masses. Although the Japanese government has its own aims behind these development initiatives, an

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interactive partnership strategy is a commendable approach by a developed country towards the underdeveloped world as it gives the underdeveloped partner a say in the direction of the development affairs in their country. This trend should be encouraged, safeguarded and perfected.

With regard to development issues in general, the South should consistently evaluate its economic and development policies to ascertain if they lead to people-centered development, and corrective measures must be taken timeously if the status quo is to be reversed. The case study of South Africa's development policy is but one representative example of a broad and common problem in the global socio-economic superstructure. Solutions cannot be derived from analysing the policy of one country: rather the whole of relations that govern the transnational economic, social and political discourse (unfortunately beyond the scope of this study), must be looked at. In fact, there are more compelling reasons why the states of the South cannot afford to continue silencing the socio-economic aspirations of their polities. Chief of these reasons is the need for a long-term consolidation of democracy. With regard to South Africa's economic policy, questions should therefore be asked as to whether a lack of success on the part of GEAR in yielding required growth in employment and social development programs does not warrant that the policy be re-evaluated in light of local development needs, and corrections made accordingly.

3. RECOMMENDATIONS

This study has been limited both in terms of size, time, resources, and has therefore been minimal in its scope of enquiry. In view of these limitations, broad conclusions and recommendations cannot be made without risking an element of short-sightedness. As a matter of academic prudence therefore, this process will be kept at a minimum until a further elaborative study in this field can be conducted.

Having made this assertion however, the problems of the current global political-economic order remain naked for all to see. In this respect, even common sense indicates that the North-South power relations are one-sided, problematic for development and should not be allowed to continue as they stand. In addition, the underdeveloped countries should continue to play an active role in global structures

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such as the UN, UNOs such as UNCTAD, the WTO, and other international institutions if they are to impact on policies that govern the North-South relations. With regard to North-South relations, the Japanese/Africa relations in co-operation and development have already set a useful example. The difference between them is that while the conventional trend includes the imposition of the political-economic dictates on the South by the North, the Japanese alternative is that of a co-operative development partnership based on a relationship of mutual respect with its development aid recipients in Africa. This type of relationship is empowering in that, unlike in the conventional development interaction between the *core* and the *periphery*, underdeveloped countries have a say in the making of their own development policies. It is therefore recommended for developing states to strive for similar co-operative partnerships in bilateral development relations, or where possible, to alter their existing one-sided development relations with the countries of the North.

Finally, the significance of this subject demands that further research be conducted on an ongoing basis if equity is to be forged in the prevailing global political-economic discourse.

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